2021

TWO YEAR M. COM. SEMESTER 4 EXAMINATION

(New Syllabus under CBCS)

Instructions for Examinees

The students are required to strictly adhere to the following instructions:

1. Use A4 size paper for giving the examination.

2. Write the following on the top of the first page of answer sheet:

   i) Roll Number: (as per the Admit Card)

   ii) Registration Number: (as per the Admit Card)

   iii) Paper Code and Name of the Paper

   iv) Date of the examination

   v) Duration of examination (12 noon to 2pm)

3. Put page number on the top right of each page (including the first page).

4. Only one side of the paper should be used for examination.

5. Put your signature with date, at the bottom right of every page used.

6. Before sending your answer scripts, arrange the pages sequentially. Scan them in the order of page number and convert them into a single pdf. file.

7. Pdf. file name should be your **Full Roll Number <underscore> paper code**. While submitting the answer scripts, the subject of the mail will be exactly the same with the file name. [e.g., if the roll no of a student is C95/MCM/123456, for second paper (Paper Code CC402) the file name will be: 123456_CC402]

8. Submit your answer scripts in pdf. format within the stipulated time through designated email id given to you.

9. Preserve your answer scripts in soft as well as hard-copy form of all the papers of your examination.

2021

COMMERCE

Paper – CC. 402

Strategic Cost & Management Accounting

Full Marks -40

The figures in the margin indicate full marks

Candidates are required to give their answers in their own words as far as practicable

Time: 2 Hours   **Duration of Examination: 12noon to 2pm**

Module –I

Answer ***any two*** questions.

1. (a) Mention the steps to be followed for apportionment of overhead under Activity-based Costing System.

   b) The following information relates to a firm manufacturing and selling its two products – P and Q.

Particulars	P	Q
Raw Material per unit	Rs.50	Rs.60
Direct Wages per unit	Rs.30	Rs.20
Machine Hour per unit	2	3
Production (units)	500	1000
Machine Set-up (No.)	5	10
Material Movement (No.)	2	5

   The firm incurs the following Overhead expenses for the products during a particular month.

   Machine-related: Rs.10,000;   Set-up related: Rs.3,000; Material Handling related: Rs.2,800.

   The firm estimates that Administrative, Selling & Distribution Overhead per unit of P and Q is Rs.10.

   Determine the Total Cost per unit of P and Q following ABC System.

   [**2+8**]

2. a) Though ROI is a widely used measure of financial performance of business organisations, it suffers from many limitations. Do you agree? Justify your answer.

   b) What do you mean by 'Residual Income' and 'Economic Value Added'? State the differences, if any, between these two concepts.

   [5 + (2 +3)]

3. XYZ Ltd. has two divisions – A & B. Division A manufactures a Component 'C' which is required by Division B for its product P. Division B requests Division A to supply 24,000 units of Component 'C' at Rs.60 per unit. Division A is not willing to supply at such a lower price as it can sell its entire existing production in the external market with 30% mark up on total costs.

   The following information is also available in respect of the two divisions—A & B.

	Division A	**Division B**
Product	Component 'C'	P
Existing production (units)	40,000	40,000
	(using 80% capacity)	(using100% capacity)
Production Costs:		
Direct Material per unit (Rs.)	25	20
Direct Wages per unit (Rs.)	15	10
Overhead per unit (Rs.)	20	10
(60% fixed)		
External Selling Price per unit (Rs.)		100

   Determine the minimum transfer price per unit of Component 'C' at which Division A may transfer the same to Division B. Also show the operating profit of the divisions accordingly.

   [5+5]

4. Write short notes on the following:
   (a) Responsibility Accounting
   (b) Life Cycle Costing

   [5+5]

Answer *any two* questions

5. a) Explain the concept of 'limiting factor' in managerial decision making.

b) X Company Ltd. manufactures a product 'P' by making and assembling three components A, B, and C. The components are made in a machine shop using three identical machines each of which can make any of the three components. However, the total capacity of the three machines is only 12000 machine hours per month and is just sufficient to meet the current demand. Labour for assembling is available according to requirements. Further details are as follows:

Components	Machine- hours required per unit	Variable cost per unit (Rs.)	Market price at which the component can be purchased if required(Rs.)
A	4	48	64
B	5	60	75
C	6	80	110
Assembling (per unit of P)	—	30	—

Fixed costs per month amount to Rs. 50000. Product 'P' is sold at Rs. 300 per unit. From next month onwards, the company expects the demand for 'P' to rise by 25%. As the machine capacity is limited, the company wants to meet the increase in demand by buying such numbers of A, B, or C which is most profitable.

You are required to find out the following:

(i) Current demand and profit made by the company;

(ii) Which component and how many units of the same should be bought from the market to meet the increase in demand?

(iii) Profit made by the company if suggestion in (ii) is accepted.

[2+(2+4 +2)]

6. (a) "Variance analysis is an integral part of Standard Costing". Explain the statement.

(b) The following information has been extracted from the books of Palmer Enterprises that are using standard costing system:

Actual Output	9000 units
Direct wages paid	1,10,000 hours @Rs.22 per hour, of which 5,000 hours, being idle time, where not recorded in production
Standard hours	10 hours per unit
Labour efficiency variance	Rs.3,75,000 (A)
Standard variable overhead	Rs.150 per unit
Actual variable overhead	Rs.1,60,000

You are required to calculate:
- (i) Idle time variance
- (ii) Total variable overhead variance
- (iii) Variable overhead expenditure variance
- (iv) Variable overhead efficiency variance

[4+6]

7. (a) What steps are required to be taken for preparing Performance Budgets?

(b) B Ltd. produces and markets a pouch-product X. The company is interested in presenting its budget for the last quarter of 2021. It expects to sell 2,00,000 units of X during the last quarter at a selling price of Rs. 90 per unit. Each unit of X requires 5 kg of raw material P at a price of Rs. 12 per kg and 15 kg of raw material Q at a price of Rs. 3 per kg. Empty pouch costs Rs. 6 each and requires 18 minutes of direct labour time to produce and fill one pouch of X. Labour cost is Rs. 48 per hour. Variable costs are Rs. 5 per pouch. Fixed overhead costs Rs. 2, 40,000 per quarter.

Stock levels are planned as follows-

	Beginning of quarter	End of quarter
Finished pouch of X (units)	60, 000	44, 000
Raw material P (kg)	1, 28, 000	1, 04, 000
Raw material Q (kg)	2, 28, 000	1, 88, 000
Empty pouch (Nos.)	1, 48, 000	1, 12, 000

You are required to –

    (i)   Prepare a production budget for the said quarter

    (ii)   Prepare a raw material purchase budget for P, Q and empty pouches for the said quarter in quantity as well as in rupees.

    (iii)   Compute the budgeted variable cost to produce one pouch of X.

[3+ (2+3+2)]

8.   Write short notes on following:

    (a) Value Engineering

    (b) Benchmarking

[5+5]