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21COM2C9L

M.Com. II Semester Degree Examination, October - 2023

COMMERCE

Advanced Cost Accounting Techniques

(NEP)

Time : 3 Hours | Maximum Marks : 70

Note : *Answer* ***any five*** *of the following questions with Question No.* ***1*** *is* ***Compulsory****. Each question carries* ***fourteen*** *marks.*

1. An umbrella manufacturer makes an average profit of Rs. 2.50 per unit on a selling price of Rs. 14.30 by producing and selling 60,000 units @ 60% of potential capacity. The cost of sales per unit is as follows : **14**

Direct Materials	Rs. 3.50
Direct Wages	Rs. 1.25
Factory Overhead	Rs. 6.25 (50% Fixed)
Sales Overhead	Rs. 0.80 (25% Variable)

During the current year he intends to produce the same number of units, but estimates that, his fixed cost would go up by 10% while the rates of direct wages and direct materials will increase by 8% and 6% respectively. However, the selling price cannot be changed. Under this situation he obtains an offer for a further 20% of his potential capacity.

What minimum price would you recommend for acceptance of the offer to ensure the manufacturer and overall profit of Rs. 1,67,300 ?

2. A factory currently working at 50% capacity and produces 10,000 units at a cost of Rs. 180 per unit as detailed below : **14**

Particulars	**Per Unit**
Materials	Rs. 100
Labour	Rs. 30
Factory Overhead	Rs. 30 (Rs. 12 fixed)
Administrative Overhead	Rs. 20 (Rs. 10 Flexible)
Total	**180**

The current selling price is Rs. 200 per unit. At 60% working, material cost per unit increases by 2% and selling price per unit falls by 2% and at 80% working, material cost per unit increases by 5% and selling price per unit falls by 5%.

Estimate the profit of the factory at 60% and 80% working with your comments. Working notes should be part of your answer.

P.T.O.

3. A gang of workers normally consists of 30 men, 15 women and 10 boys. They are paid at a standard rate per hour as Man-Rs. 0.80, Woman-Rs. 0.60 and Boy-Rs. 0.40. In a normal working week of 40 hours, the gang is produced of 40 men, 10 women and 5 boys. The actual wages paid were at Rs. 0.70, Rs. 0.65 and Rs. 0.30 respectively. 1,600 units were produced. Four hours were lost due to abnormal idle time. **14**

Calculate :

(i) Labour Cost Variance

(ii) Labour Rate Variance

(iii) Labour Efficiency Variance

(iv) Idle Time Variance

(v) Labour Mix Variance and

(vi) Labour Revised Efficiency Variance

4. A Company has two divisions, Division 'A' and Division 'B'. Division 'A' has a budget of selling 2,00,000 units of particular component 'x' to fetch a return of 20% on the average assets employed. The following particulars of Division 'A' are also known : **14**

Particulars	**Amount (Rs.)**
Fixed Overhead	Rs. 5,00,000
Variable Cost	Rs. 1 per unit
Average Assets :	
Sundry Debtors	Rs. 2,00,000
Inventories	Rs. 5,00,000
Plant and Equipments	Rs. 5,00,000

However there is constraint in marketing and only 1,50,000 units of the component 'x' be directly sold to the proposed price.

It has been gathered that the balance 50,000 units of component 'x' can be taken up by Division 'B' Division 'A' wants a price of Rs. 4 per unit of 'x' but Division 'B' is prepared to pay Rs. 2 per unit of 'x'.

Division 'A' has another option in hand, which is to produce only 1,50,000 units of component 'x'. This will reduce the holding of assets by Rs. 2,00,000 and fixed overhead by Rs. 25,000.

Advise the most profitable course of action for Division 'A'.

5. A and B are the two newly established divisions of SR Ltd. These two divisions operate as independent units. They have agreed to a 20% per annum charge for capital provided by SR Ltd. The budget for the two divisions is as under : **14**

Particulars	**Division-A (Rs.)**	**Division-B (Rs.)**
Initial Investment	10,00,00,000	15,00,00,000
Expected Net Cash Flows :		
First Year	1,90,00,000	3,20,00,000
Years 2-8 (per annum)	2,90,00,000	4,20,00,000

In the first year of operation, A secured 5% increase in market share in sale of its products at the cost of B.

(i) Evaluate the performance of the two divisions as envisaged in the budget using Return on Investment (RoI) and Residual Income bases.

(ii) Calculate the net profit of the two divisions for the year of operation based on the achievement of market share increase of 5% for A with corresponding reduction in market share for B.

6. (a) Elucidate different types of Budgets. **7**

(b) Analyse the advantages and applications of Standard Costing. **7**

7. (a) Discuss the guiding principles in fixation of Transfer Prices. **7**

(b) Write a note on Balanced Scorecard. **7**

8. (a) Write a note on Zero Base Budgeting (ZBB). **5**

(b) Explain the types of Overhead variances. **5**

(c) Analyse the importance of Divisional Performance Measurement. **4**

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