



**M.Com. Second Semester (CBCS) Degree Examination,
September/October - 2022**

COMMERCE

21COM2C9L : Advanced Cost Accounting Techniques

Time : 3 Hours

Maximum Marks : 70

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

1. (a) Define marginal costing. Explain its application in managerial decisions. 7
 (b) You are given the following data for the coming year of a factory. 7
- | | |
|----------------------------|--------------|
| Budgeted output | 80,000 units |
| Fixed expenses | ₹ 4,00,000 |
| Variable expenses per unit | ₹ 10 |
| Selling price per unit | ₹ 20 |

Draw a break even chart showing the break-even point. If the selling price is reduced to ₹ 18 per unit what will be the new break-even point ?

2. (a) What is budget ? State its pre-requisites. 4
 (b) A department of Sun-rise India company attains sales of ₹ 6,00,000 at 80% of its normal capacity. Its expenses are given below : 10

Particulars	₹
Office salaries	90,000
General expenses	2% of sales
Depreciation	7,500
Rent & Rates	8,750
Selling cost :	
Salaries	8% of sales
Travelling expenses	2% of sales
Sales office	1% of sales
General expenses	1% of sales
Distribution cost :	
Wages	15,000
Rent	1% of sales
Other expenses	4% of sales

Sun-rise India company is operating at 90%, 100% and 110% of normal capacity. Prepare flexible budget with necessary assumptions.



3. A group of workers normally consists of 30 skilled, 15 semi-skilled and 10 unskilled. They are paid at standard hourly rate as under : 14

Skilled ₹ 8, Semi-skilled ₹ 6 and Unskilled ₹ 4.

In a normal working week of 40 hours, the group is expected to produce, 2,000 units of output. During the week ended 31st Dec 2021 the group consisted of 40 skilled, 10 Semi-skilled and 5 Unskilled. The actual wages paid were at ₹ 7, ₹ 6.50 and ₹ 3 respectively. 4 hours were lost due to abnormal idle time and 1600 units were produced.

You are required to calculate :

- (i) Labour cost variance
 - (ii) Labour rate variance
 - (iii) Labour efficiency variance
 - (iv) Labour composition variance
 - (v) Labour idle time variance
 - (vi) Labour yield variance
4. (a) Define Transfer Pricing. Explain the disadvantages of transfer pricing. 7
- (b) MS Company Ltd. is a leading manufacturer of a certain consumer durable product. The company has two divisions - Engineering and Assembly. The output of the engineering division is transferred to the assembly division for further processing and assembling before being sold to the customer as complete product. Verification of the company's records reveals that the variable cost per unit of the product for engineering and assembly are ₹ 250 and ₹ 300 respectively. The fixed cost of Engineering division is ₹ 15,000 and that of the assembly division is ₹ 10,000. The product variable cost per unit of engineering division is ₹ 400, and the total output is 100 units which are sold to customer on completion @ ₹ 2000 per unit. If the engineering division decides to charge its transfers to assembly division at cost plus 150% what will be the MS Company profit and the profits of its two divisions ? 7



5. (a) What is Divisional Performance Measurement ? Explain its importance and Limitations. 7
- (b) Bharath Ltd. Has three divisions A, B, and C. The operating result of the three divisions is as follows : 7

Particulars	Divisions		
	A	B	C
	₹	₹	₹
Sales	5,00,000	5,00,000	10,00,000
Less: Cost	4,00,000	3,00,000	6,00,000
Profit	1,00,000	2,00,000	4,00,000
Investment	3,00,000	5,00,000	15,00,000

- (i) You are required to determine ROI of the three divisions and rank these divisions on the basis of their performance.
- (ii) Determine Residual Income (RI) of the three divisions and rank them assuming cost of capital is 15%.

6. The standard cost of a certain chemical mixture is : 14

40% material A at ₹ 400 per kg

60% material B at ₹ 600 per kg

A standard loss of 10% is anticipated in production:

The following particulars are available for the month of March.

180 kg of material A has been used at ₹ 360 per kg

220 kg material B has been used at ₹ 680 per kg

The actual production of 'AB' is 369 kg.

You are required to calculate :

- (a) Material cost variance (b) Material rate variance
- (c) Material mix variance (d) Material efficient and yield variance
7. (a) Explain the guiding principles of transfer pricing. 7
- (b) Write a note on Non-Financial measures. 7
8. Write a note on -
- (a) Zero Base Budgeting. 4
- (b) Applications of transfer pricing. 5
- (c) Balanced Scorecard. 5

