



**M.Com. II Semester Degree Examination, Sept./Oct. - 2024**

**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. Star Limited provides the following trading results :

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Year	Sale	Profit
2021-22	25,00,000	10% of Sale
2022-23	20,00,000	8% of Sale

You are required to calculate :

- (a) P/V Ratio  
 (b) Fixed Cost  
 (c) Break Even Point  
 (d) Amount of profit, if sale is 30,00,000  
 (e) Sale, when desired profit is 4,75,000  
 (f) Margin of Safety at a profit of 2,70,000
2. (a) Define Budgetary Control. State the essentials of effective Budgeting. 7  
 (b) M. K. Brothers wish to approach the bankers for temporary overdraft facility for the period from October 2023 to December 2023. During the period of these three months, the firm will be manufacturing mostly for stock. You are required to prepare a cash budget for the above period : 7

Months	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)
August	3,60,000	2,49,600	24,000
September	3,84,000	2,88,000	28,000
October	2,16,000	4,86,000	22,000
November	3,48,000	4,92,000	20,000
December	2,52,000	5,36,000	30,000

**Additional Information :**

- (i) 50% of credit sales are realised in the month following the sales and remaining 50% in the second following.  
 (ii) Creditors are paid in the month following the month of purchase.  
 (iii) Cash balance on October 1, 2023 may be assumed to be Rs. 50,000.



3. The standard cost of a certain chemical mixture is as under :

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40% of Material A @ Rs. 30 per kg

60% of Material B @ Rs. 40 per kg

A standard loss of 10% of input is expected in production. The following actual cost data is given for the period.

350 kg Material - A at a cost of Rs. 25

400 kg Material - B at a cost of Rs. 45

Actual weight produced is 620 kg.

You are required to calculate the following variances raw material wise and indicate whether they are favourable (F) or adverse (A) :

- (a) Cost variance
- (b) Price variance
- (c) Mix variance
- (d) Yield variance

4. Fastners Ltd. is having production shops reckoned as cost centres. Each shop charges other shops for material supplied and services rendered. The shops are motivated through goal congruence, autonomy and management efforts. Fastners Limited is having a welding shop and painting shop. The welding shop welds annually 75,000 purchased items with other 1,50,000 shop made parts into 12,000 assemblies. The assemblies are having variable cost of Rs. 9.50 each and are sold in market at Rs. 12 per assembly. Out of the total production, 80% is diverted to painting shop at same price ruling in the market. Welding shop incurs a fixed cost of Rs. 25,000 per annum. The painting shop is having fixed cost of Rs. 30,000 and its cost of painting including transfer price from welding shop comes to Rs. 20 per unit. This shop sells all units transferred to it by welding shop at Rs. 25 per assembly.

**You are required to :**

- (a) Find out profit of individual cost centres and overall profitability of the concern.
- (b) Recommend course of action if painting shop wishes to purchase its full requirement (at market price which is Rs. 10 per assembly) either from open market or from welding shop at market price of Rs. 10 per assembly. Give reasons for your recommendations.



5. (a) What do you mean by divisional performance measurement ? Briefly explain the non-financial measures of divisional performance measurement. 7
- (b) The food division of South McDown food corporation shows the following results for the year ended 31<sup>st</sup> March 2024. 7

Turnover	₹ 800000
<b>Costs-</b>	
Materials	₹ 210000
Labour	₹ 66000
Production overhead	₹ 60000
Apportioned group costs	₹ 64000
Total costs	₹ 400000
<b>Other divisional information -</b>	
Fixed assets investment	₹ 1300000
Working capital	₹ 300000
Total	₹ 1600000

Cost of capital is 13.75% as a weighted average rate on the total capital employed.

Comment on the management performance of the division using :

- (i) ROI method
- (ii) RI/EVA method
6. A building can be constructed by engaging a gang of workers as per detailed given below for working week of 40 hours the group expected to produce 1000 units of product. 14

Standard data :

Type of workers	Skilled	Semi-skilled	Unskilled
No. of workers in a gang	10	5	5
Standard rate of wages/hr	1	2	3

Actual completion of the work, 2 hours were lost due to the abnormal idle time and 960 units of output were produced.

Type of workers	Skilled	Semi-skilled	Unskilled
No. of workers in a gang	13	4	3
Actual rate of wages/hr	3	4	5



**You are required to calculate :**

- (i) Labour cost wage variance
  - (ii) Labour rate variance
  - (iii) Labour efficiency variance
  - (iv) Labour composition variance
  - (v) Labour yield variance
  - (vi) Labour idle time variance
- 7.** (a) Briefly explain the methods of the transfer pricing. **7**
- (b) Explain the importance of divisional performance measurement and list out its limitations. **7**
- 8.** Write a short note on the following :
- (a) Zero based budgeting. **5**
  - (b) Balanced scorecard. **5**
  - (c) Application of standard costing. **4**

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