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**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**M.COM - II SEMESTER**

**SEMESTER EXAMINATION: APRIL 2019**

**CO 8118 - Cost & Management Accounting**

**Time- 2 1/2 hrs Max Marks-70**

**This paper contains three printed pages and four parts**

**SECTION-A**

**Answer any TEN of the following questions. Each question carries two marks. (10x2=20)**

1. What are Sunk costs?
2. State any two differences between Absorption Costing & Marginal Costing.
3. What is a Limiting factor?
4. Give the meaning of Throughput Costing.
5. State any two limitations of Traditional Costing System.
6. What is a balanced scorecard?
7. Define Kaizen Costing.
8. State any four benefits of TQM
9. What is Variance Analysis?
10. Give the meaning of Life cycle costing
11. What is Lean Accounting?
12. What is Zero based budgeting?

**SECTION- B**

**Answer any THREE of the following questions. Each question carries five marks. (3x5=15)**

1. A manufacturing concern which has adopted standard costing furnishes the following information.

**Standard**

Material for 70 Kg of finished product of 100 Kg

Price of materials Re.1 per kg

**Actual**

Output 2,10,000 kg.

Material used 2,80,000 kg.

Cost of materials Rs.2,52,000

Calculate:

a. Material Usage Variance

b. Material Price Variance

c. Material cost Variance

1. Two businesses AB Ltd and CD Ltd sell the same type of product in the same market. Their budgeted profits and loss accounts for the year ending 30th June, 2018 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **AB Ltd (Rs)** | | **CD Ltd (Rs)** | |
| Sales |  | 1,50,000 |  | 1,50,000 |
| Less: Variable Costs  Fixed Costs | 1,20,000  15,000 | 1,35,000 | 1,00,000  35,000 | 1,35,000 |
| Profit |  | 15,000 |  | 15,000 |

You are required to calculate the B.E.P of each business and state which business is likely to earn greater profits in conditions.

(a) Heavy demand for the product

(b) Low demand for the product.

1. Organizations are constantly trying to find ways to become more efficient and reduce costs. However, once manufacturing firms design a product and begin production, it is difficult to make significant changes that will reduce costs. How can target costing help with this issue?
2. State the advantages of Budgetary Control.
3. Write short notes on the following:
4. Responsibility Accounting
5. CVP Analysis

**SECTION -C**

**Answer any TWO of the following questions. Each question carries TEN marks. (2x10=20)**

1. Relevant data relating to Alpha company are given below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Particulars | Products | | | |
| P | Q | R | TOTAL |
| Production and sales (units) | 60,000 | 40,000 | 16,000 | -------- |
| Raw material usage in units | 10 | 10 | 22 | -------- |
| Raw material costs (Rs) | 50 | 40 | 22 | 24,76,000 |
| Direct labour hours | 2.5 | 4 | 2 | 3,42,000 |
| Machine hours | 2.5 | 2 | 4 | 2,94,000 |
| Direct labour costs (Rs) | 16 | 24 | 12 | -------- |
| No. of production runs | 6 | 14 | 40 | 60 |
| No. of deliveries | 18 | 6 | 40 | 64 |
| No. of receipts | 60 | 140 | 880 | 1080 |
| No. of production orders | 30 | 20 | 50 | 100 |

**Overheads:**

Setup -Rs.60,000

Machines-Rs. 15,20,000

Receiving- Rs.8,70,000

Packing - Rs.5,00,000

Engineering- Rs 7,46,000

The company operates a JIT inventory policy and receives each component once per production run.

Required:

i) Compute the product cost based on direct labour-hour recovery rate of overheads.

ii) Compute the product cost using activity based costing.

1. Draw up a flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 70%, 80% and 90%

|  |  |
| --- | --- |
| **Plant Capacity** | **At 80% capacity (Rs)** |
| **Variable Overheads:**  Indirect labour  Stores including spares | 12,000  4,000 |
| **Semi Variable:**  Power (30% - Fixed: 70% -Variable)  Repairs (60%- Fixed: 40% -Variable) | 20,000  2,000 |
| **Fixed Overheads:**  Depreciation  Insurance  Salaries  Total overheads | 11,000  3,000  10,000  62,000 |
| Estimated Direct Labour Hours | 1,24,000 hours |

1. Financial measures are important for evaluation purposes, many organizations use a mix of financial and nonfinancial measures to evaluate performance. For example, airlines track on-time arrival percentages carefully, and delivery companies like Federal Express (FedEx) and United Parcel Service (UPS) monitor percentages of on-time deliveries. The balanced scorecard uses several alternative measures to evaluate performance. What is a balanced scorecard and how does it help companies to evaluate performance?

**SECTION -D**

1. **Answer the following compulsory question. The question carries fifteen marks. (1x15=15)**

The Dynamic company has three divisions. Each of which makes a different product. The budgeted data for the coming year are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | A (Rs) | B (Rs) | C (Rs) |
| **Sales** | **1,12,000** | **56,000** | **84,000** |
| Direct Material | 14,000 | 7,000 | 14,000 |
| Direct Labour | 5,600 | 7,000 | 22,400 |
| Direct Expenses | 14,000 | 7,000 | 28,000 |
| Fixed Cost | 28,000 | 14,000 | 28,000 |
| Total | 61,600 | 35,000 | 92,400 |

The Management is considering to close down the division ‘C’. There is no possibility of reducing fixed cost. Advise whether or not division ‘C’ should be closed down.