Reg. No. | | | | | | | | | |

CMH 457

II Semester M.Com. Degree Examination, September/October 2022
(Choice-based Credit System)
COMMERCE
Advanced Cost Accounting

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any four** out of seven, **each** question carries **10** marks. Answer to **each** question should **not** exceed **4** pages. **(4×10=40)**

1. Define Process Costing and Job Costing. Describe briefly the main features of Process and Job Costing. Compare Process Costing with Job Costing.

2. What is standard costing and how would you distinguish it from budgetary control ?

3. Explain the applications of cost techniques in managerial decision making.

4. Explain the advantages and limitations of marginal costing.

5. From the following information, compute (a) Material Cost Variance, (b) Material Price Variance, (c) Material Mix Variance, (d) Material Usage Variance from the data given below :

	Standard			**Actual**		
	Quantity Kilos	**Price ₹**	**Total ₹**	**Quantity Kilos**	**Price ₹**	**Total ₹**
Material **A**	10	3	30	15	4	60
Material **B**	15	4	60	25	3	75
Material **C**	25	2	50	35	2	70
Total	**50**		**140**	**75**		**205**

6. You are given the following data for the year 2022 of X Co. Ltd. :

Variable cost	Rs. 60,000	60%
Fixed cost	Rs. 30,000	30%
Net profit	Rs. 10,000	10%
Sales	Rs. 1,00,000	100%

Find out (a) Break-even point, (b) P/V ratio, and (c) Margin of safety. Also draw a break-even Chart showing contribution and profit.

7. A toy manufacturer produces 30,000 toys at 60% of the installed capacity and sells it @ Rs. 30/-per toy, earning a profit of Rs. 6 per unit.

His cost structure is – Direct Material Rs. 8 per unit
Direct Labour Rs. 2 pu.
Works overhead Rs. 12 pu. (50% fixed)
Selling overhead Rs. 2 pu. (25% varying)

During the current year he desires to produce the same number but expects that :

a) His fixed charges will increase by 10%
b) Direct labour rates will increase by 20%
c) Rates of material will rise by 5%
d) Selling price will remain the same.

Under these circumstances he obtains an order for further 20% of the capacity. What minimum price will you recommend for accepting the order to give the manufacturer an overall profit of Rs. 1,80,000.

SECTION – B

Answer **any two** questions out of three, **each** question carries **15** marks, answer to **each** question should **not** exceed **7** pages. **(2×15=30)**

8. Write a note on the following :

a) Inter-process Profits.
b) Impact of JIT on production Price.
c) BEP and Margin of safety.

9. A certain product passes through three processes before it is transferred to finished stock. The following information is obtained for the month of January :

Items	Process I (₹)	Process II (₹)	Process III (₹)	Finished Stock (₹)
Opening stock	20,000	24,000	16,000	60,000
Direct material	40,000	42,000	60,000	–
Direct wages	30,000	30,000	32,000	–
Production overheads	28,000	12,000	80,000	–
Closing stock	10,000	12,000	8,000	30,000
Profit% on cost of each process	33 1/3%	25%	25%	–
Inter-process profits for opening stock	–	4,000	4,000	22,000

Stocks in processes are valued at prime cost and finished stock has been valued at the price at which it was received from process III. Sales during the period were ₹ 7,00,000.

Prepare and compute (a) Process cost accounts showing profit element at each stage. (b) Actual realised profit, and (c) Stock valuation for balance sheet purposes.

10. P Ltd. manufactures and sells four types of products under the brand names A, B, C and D. On a turnover of Rs. 30 crores in 2022 company earned a profit of 10% before interest and depreciation which are fixed. The details of product mix and other information area follows :

Product (s)	Mix% to Total sales	PV Ratio (%)	Raw Materials % on Sales Value
A	30	20	35
B	10	30	40
C	20	40	50
D	40	10	60

Interest and depreciation amounted to Rs. 225 lakhs and Rs. 115.50 lakhs respectively. Due to increase in prices in the international market, the company anticipates that the cost of raw materials which are imported will increased by 10% during 2023. The company has been able to secure a license for the import of raw materials of a value of Rs. 1,535 lakhs at 2023 prices. In order to counteract the increase in costs of raw materials, the company is contemplating to revise its product mix. The market survey report indicates that the sales potential of each of the products : 'A', 'B' and 'C' can be increased upto 30% of total sales value of 2022. There was no inventory of finished goods or work in progress in both the year.

Required :

Set an optimal product mix for 2023 and find the profitability.