

18. Product A passes through three processes before it is completed. The output of each process is charged to the next process at a price calculated to give a profit of 20% on transfer price (25% on cost price). The output of process III is charged to finished stock account on similar basis. There was no opening work in process and overheads were ignored. Stocks in each process valued at prime cost of the process. Following details are available.

Particulars	Process I (Rs)	Process II (Rs)	Process III (Rs)	Finished stock (Rs)
Direct materials	20,000	5,000	4,000	-----
Direct wages	15,000	10,000	20,000	-----
Closing stock	5,000	6,500	9,500	5,000
Sales during the year	-----	-----	-----	1,10,000

Required to;

- Process cost accounts showing the profit element at each stage.
- Actual realized profit
- Stock valuation as would appear in the balance sheet.

(2 × 5 = 10 Weightage)

(6)

20P248

(Pages: 3)

Name.....

Reg. No.....

SECOND SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2021

(CUCSS - PG)

(Regular/Supplementary/Improvement)

CC19P MCM2 C08 - STRATEGIC COST ACCOUNTING

(Commerce)

(2019 Admission onwards)

Time: Three Hours

Maximum: 30 Weightage

Part A

Answer any *four* questions. Each question carries 2 weightage.

- Define cost centre. How does it differ from cost unit?
- Explain backflush accounting. State any two of its advantages.
- What do you mean by abnormal gain? How the value of abnormal gain is determined?
- Differentiate between waste and scrap.
- A company fixes the interdivisional transfer prices for its product on the basis of cost plus an estimated return on investment in its divisions. The relevant portion of the budget for Division A for the year 2019-20 is given below.

Fixed Assets: Rs. 700000; Current Assets (other than Debtors) Rs. 500000; Debtors Rs. 300000; Annual fixed cost of the Division Rs. 2000000; Variable cost per unit of product Rs 12; Budgeted volume of production per year (units) Rs 500000; Desired return on investment 25%.

You are required to determine the transfer price for the Division A.

- J Ltd. manufactures three products. The material cost, selling price and bottleneck resource details per unit are as follows:

Particulars	Product X	Product Y	Product Z
Selling price (Rs.)	66	75	90
Material and other variable cost (Rs.)	24	31	40
Bottleneck resource time (minutes)	15	15	20

Budgeted factory costs for the period are Rs. 221600. The bottleneck resources time available is 75120 minutes per period.

- Company adopted throughput accounting and products are ranked according to 'product return per minute'. Select the product with the highest rank.
- Calculate throughput accounting ratios and comment on it.

(1)

Turn Over

7. From a common process two joint products X and Y come out. Expenses after separation for X and Y are Rs. 5 and Rs. 8 respectively per unit. Total expenses in the common process amount to Rs. 373520. Selling prices of X and Y are Rs. 25 and Rs. 38 respectively per unit. Output of X and Y are 10000 and 8000 units respectively. Find out the cost of X and Y after completion if profit on sales is 12%.

(4 × 2 = 8 Weightage)

Part B

Answer any **four** questions. Each question carries 3 weightage.

- 8. What is meant by cost accounting system? Explain various steps involved in the installation of a cost accounting system.
- 9. Explain the benefits of higher productivity. Also, state the reasons for low productivity.
- 10. A work order passes through two distinct processes. The product of the first process less wastage and by – product becomes the raw materials for the second process. All by-products are sold off direct from factory. Following information is obtained from the factory records:

Particulars	First process	Second process
Raw materials	1000 tones @30 a tons	-----
Wages	Rs. 25000	Rs. 20000
Factory overhead	80% of wages	75% of wages
Wastages	10 tones	15 tones
Sales of by- products	190 tones at cost plus 20%	85 tones at cost plus 25%

Give the ledger accounts for the first and second processes, showing at each stage the cost of the product and the profit on the sale of the by- products.

- 11. Product of a company passes through three different processes A, B and C. It is ascertained from past experience that loss in each process is incurred as under:

Process A: 2%, Process B: 5%, Process C: 10%.

The percentage of loss in each case is computed on the basis of number of units entering the process concerned.

The loss of each process has a scrap value. The loss of Process A and B is sold at Rs. 1 per unit and that of process C at Rs. 4 per unit.

The company gives you the following information for the month of July, 2019.

2000 units of crude material were introduced in process A at a cost of 8%per unit. Besides this the following were other expenses:

(2)

Determine the following:

- a. If the company apportions the joint cost after taking credits for the sale value of the by- product, in proportion to the sale value of the three main products at the point of separation, what is the cost per kg. of each product at that stage?
 - b. Which of the products should be processed further? Show workings.
 - c. What is the profit earned if all the main products are sold without further processing? Give product wise details.
 - d. If further processing is done as suggested in (b), what is the total profit earned? Give product wise details.
17. Anna Ltd. produces and sells four products A, B, C and D. These products are similar and usually produced in production runs of 10 units and sold in a batch of 5 units. The production details of these products are as follows:

Products	A	B	C	D
production (units)	100	110	120	150
Cost per units:Direct Material (Rs.)	30	40	35	45
Direct Labour 9 (Rs.)	25	30	30	40
Machine Hour rate (per unit)	5	4	3	4

The productions overhead during the period are as follows:

	Overhead costs	Cost driver
Factory expenses	22500	Machine hours
Stores receiving costs	8100	Requisition raised
Machine set up costs	12200	No. of production runs
Cost relating to quality control	4600	No of production runs
Material handling and dispatch	9600	No. of orders executed

The number of requisition raised in the stores was 25 for each product and number of orders executed was 96, each order was in a batch of 5 units

Required:

- a. Total cost of each product assuming the absorption of overhead on machine hour basis
- b. Total cost of each product assuming the absorption of overheads by using activity based costing.

Also comment on the results.

(5)