Overhead costs:

Related to machine activity	3,20,000
Related to production run set ups	30,000
Related to handling of orders	46,000
	3,96,000

Calculate the production overheads to be absorbed by one unit of each product:

1. Traditional costing method using a direct labour hour rate to absorb overhead.

2. ABC system 1 using suitable cost drivers to locate overhead rate.

18. Define JIT. What are the steps to be taken for the implementation of JIT?

(2 × 5 = 10 Weightage)

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22P242 (Pages: 4) Name: .....

Reg. No: .....

SECOND SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2023

(CBCSS - PG)

(Regular/Supplementary/Improvement)

CC19P MCM2 C08 – STRATEGIC COST ACCOUNTING

(Commerce)

(2019 Admission onwards)

Time: 3 Hours Maximum: 30 Weightage

Part-A

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

1. Define cost.
2. Define cost accountancy.
3. What is batch cost?
4. What are the types of industries where process costing is applicable?
5. What are defectives?
6. What do you mean by value added?
7. What is target costing?

(4 × 2 = 8 Weightage)

Part-B

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

8. What are the practical difficulties in installations of costing system?
9. Define cost centre. What are the different types of cost centre?
10. A certain chemical process yields 75% of the material introduced as main product, 20% as a by- product, 5% being lost. The percentage of material consumed by main product and by -product is 80:20. Time taken to produce one unit of by - product is half the time taken by main product. Overheads have been allocated 200% of wages of each product.

	Rs.	Units
Cost data: Raw Material	10,000	2,000
Labour	8,500	
Overheads	17,000	
Total	35,500	

Ascertain the cost of two products.

11. Kerala Chemicals Ltd. manufacture and sell their chemicals produced by consecutive processes. The products of these processes are dealt with as under:

	Process I	Process II	Process III
Transferred to next process	66 2/3%	60%	----
Transferred to warehouse for sale	33 1/3%	40%	100%

In such process 4% of the weight put is lost and 6% is scrap which from process I realized Rs3 per ton, from process II, Rs 5 per ton and from process III, Rs 6 per ton. The following particulars relate to January, 2016:

	Process I	Process II	Process III
Raw materials used in tons	1,400	160	1,260
Rate per ton in Rs	10	16	7
Wages and other expenses	5,152	23,140	22,898

Prepare process accounts showing cost per ton of each process.

12. Bharath Metals Ltd. manufactures four different products. But due to limited machine hours, company is no longer able to meet the demand of all four products. In order to decide which product should be preferred in production you are provided with the following data:

	Sales price	Material cost	Operation Exp	Time (Minutes)
Magnetite	300	150	90	30
Hematite	45	320	160	45
Geothite	350	150	80	60
Limonite	750	600	400	20

Required:

1. If machine hours are limited to 5,000 hours then suggest the production supervisor which product is giving maximum throughput per limiting factor.
2. Calculate throughput accounting ratio.

13. A company fixes the inter-divisional 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 the Division A for the year 2019-20 is given below.

	In Rs.
Fixed Assets	5,00,000
Current Assets (other than Debtors)	3,00,000
Annual Fixed Cost of the Division	8,00,000
Variable Cost per unit of Product	10
Budgeted volume of production per year (units)	4,00,000

Desired Return on investment 28%.

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

14. What are the misconceptions in measuring productivity?

(4 × 3 = 12 Weightage)

Part-C

Answer any ***two*** questions. Each question carries 5 weightage.

15. Discuss briefly the various types of cost.

16. An article passes through three processes A, B and C for manufacture and then it is transferred to finished stock. A's production is transferred to process B at a profit of 25% on transfer price, B's production is transferred to process C at a profit of 20% on transfer price and C's production is transferred to finished stock at a profit of 20% on transfer price. Following particulars are available on 31st December, 2019

In Rs	Process A	Process B	Process C
Opening Stock	2,000	3,000	3,000
Materials	4,000	6,000	5,000
Wages	3,000	1,000	4,000
Work Expenses	1,000	1,000	2,000
Closing Stock	1,000	2,000	3,000
Inter process profit for opening stock	Nil	1,000	2,000

Opening Stock of finished goods account was Rs. 5,000 profit on it was Rs. 3000, closing stock of finished goods was Rs 2,000.

Stock in process are valued at prime cost. The finished stock has been valued at the price at which it was received from process C. Sales of the finished stock is 60,000.

Prepare process accounts and finished stock account. Find out the actual profit realized; also find out the value of stock for the purpose of Balance Sheet.

17. Falcon Ltd has two products. X and Y. using the same equipment and similar processes. An extract of the production data for these products in one period is shown as follows.

	X	Y
Quantity produced (Units)	6,000	8,000
Direct labour hours per unit	2	3
Machine hours per unit	4	2
Set ups in the period	20	60
Orders handled in the period	25	90

Turn Over