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Name.....

Reg. No.....

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2019

(CUCSS-PG)

CC15P MC4 C15 - COST MANAGEMENT

(Regular/Improvement/Supplementary)

(2015 Admission onwards)

Time: Three Hours

Maximum: 36 Weightage

PART A

Answer all questions. Each question carries 1 weightage.

1. What is operating costing?
2. Define strategic cost management.
3. Distinguish between relevant and irrelevant costs.
4. What do you mean by material price variance?
5. Define Core Competence.
6. What is inter process profit? (6 x 1 = 6 Weightage)

PART B

Answer any six questions. Each question carries 3 weightage.

7. Discuss the role of value chain analysis in decision making.
8. What are the different methods of accounting for By-products?
9. Explain Kaizen costing. Discuss the advantages and disadvantages of kaizen costing.
10. Explain the procedure of setting Standard Costs.
11. Star Ltd currently produces only 10,000 units of Product X which is selling at Rs.80 per unit. The cost of producing Product X is Rs.75 per unit. Production can be increased to 12,500 units by utilizing idle facilities, provided additional output can be sold in the market. On the basis of market research, the company introduced target costing. Cost of product X can be brought down substantially through new design for the product and changes in the process of manufacture.
The estimates for the next year are:
Target selling price- Rs.70 per unit
Target sales volume- 12,000 units
Target profit margin – 10% on sales
(i) Calculate target cost per unit and target cost for the expected volume;
(ii) Compare existing profit with target profit.

The 4 products are similar and are usually produced in production runs of 48 units per batch and are sold in batches of 24 units. Currently the production overheads are absorbed using machine hour rate. The production overheads are as follows:-

Machine department cost 126000 Set up cost – 40000

Store receiving cost – 30000 Inspection – 20000

Material handling and dispatch – 5184

Cost	Cost driver
Set up cost	Number of production runs
Stores receiving	Requisitions raised
Inspection	Number of production runs
Material handling and dispatch	Orders executed

- Machine department cost should be apportioned among set up, stores receiving, and inspection activities in ratio of 4:3:2
 - The numbers of requisitions raised on store are 50 for each product. The total number of material handling and dispatch order executed during the period are 192 and each order being for a batch size of 24 units of product.
- I. Calculate the total cost of each product if all overhead costs are absorbed on machine hour rate basis.
 - II. Calculate total cost of each product using ABC method.

(2 x 6 = 12 Weightage)

12. Data relating to a job are as follows:

Standard rate of wages per hour	6
Standard hours	300
Actual rate of wages per hour	7
Actual hours paid	280 (out of which 20 hours are abnormal)

Calculate labour variances

13. A company manufactures one main product and two by products. During one period of production, the following data was compiled:

	Main Product	By-Product A	By-Product B
Sales	8,00,000	64,000	96,000
Cost before separation	3,10,400		
Cost after separation	80,000	12,800	14,400
Estimated Net Profit percentage to Sales Value		20%	30%
Estimated Selling Expenses as percentage of Sales Value	20%	10%	15%

There are no opening or ending inventories. Prepare an income statement using reverse cost method for by-products

14. A transport company charges Rs. 60 per tonne for a 5 tonne truck load from P station to Q station. The charges for return trip are Rs.56 per tonne. In the month of June, 2016, the truck has made 10 outward journeys with full load out of which 3 tonnes were unloaded twice at station R on the way. It returned without any load from R station to P station. The expenses incurred were as under:

Annual fixed charges Rs.19, 200; annual maintenance charges Rs. 9,600; monthly running charges Rs. 1,202.

Distance from station P to station Q is 210 kms and from station P to R is 120kms. The truck carried a load of 8 tonnes 5 times in the month while returning from Q station but was once caught by police and was fined Rs. 1,000.

Find out (a) cost per tonne –kilometer (absolute) (b) Profit for the month of June 2016, assuming that no concession is made for delivery at the intermediate station.

(6 x 3 = 18 Weightage)

(2)

PART C

Answer any two questions. Each question carries 6 weightage.

15. Why is life cycle costing used? Explain the life cycle costing process.

16. Following data are available in respect of Process I for February, 2016

- Opening stock of work-in –progress: 800 units at a total cost of Rs. 4,000
- Degree of completion of opening work –in-progress: Material -100%, Labour -60%, Overheads – 60%
- Input of materials at a total cost of Rs.36,800 for 9,200 units.
- Direct wages-Rs. 16,740
- Production Overheads- Rs. 8,370
- Units scrapped -1,200 units. The stage of completion of these units was: Material 100%, Labour and Overheads 80%
- Closing work-in-progress: 900 units. The stage of completion of these units was: Material 100%Labour and Overheads 70%
- 7,900 were completed and transferred to next process.
- Normal loss is 8 % of the total input(opening stock plus units put in)
- Scrap value is Rs. 4 per unit

You are required to

- a) Compute equivalent production
- b) Calculate cost per equivalent unit
- c) Calculate the cost of abnormal loss or gain, closing work-in-progress and the units transferred to next process using the FIFO method
- d) Show the process account

17. H Ltd manufactures 4 products namely, P, Q, R, S. Following information is given:

Product	P	Q	R	S
Output in units	1440	1200	960	1008
Cost per unit				
Direct materials	42	45	40	48
Direct labour	10	9	7	8
Machine hours per unit	4	3	2	1

(3)

Turn Over