REV-01
MCM/28/33

2023/01

SET A

MASTER OF COMMERCE
FIRST SEMESTER
ADVANCED COST & MANAGEMENT ACCOUNTING
MCM – 102
[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs. Full Marks: 70

Objective

Time: 30 mins. Marks: 20

Choose the correct answer from the following: *1×20=20*

1. Profit/Volume ratio is an indicator of:
   a. The volume of sales
   b. The volume of profit
   c. The rate of profit
   d. None of the above.

2. Margin of safety may be improved by:
   a. Increasing sales volume
   b. Lowering variable cost
   c. Lowering fixed cost
   d. All of the above

3. A budget is a projected plan of action in ....
   a. Physical units
   b. Monetary units
   c. Physical units and for monetary terms
   d. None of the above

4. The selling price per unit Rs. 20, variable cost Rs. 12 per unit and fixed cost Rs. 16,000, the break-even production in units-
   a. 800
   b. 2000
   c. 3000
   d. 1000

5. Sales budget is a ....
   a. Functional budget
   b. Master budget
   c. Expenditure budget
   d. Revenue budget

6. The difference between fixed and variable cost has a special significance in the preparation of ....
   a. Flexible budget
   b. Master budget
   c. Cash budget
   d. Fiscal budget

7. Which of the following is responsibility centre?
   a. Expense centre
   b. Profit centre
   c. Investment centre
   d. All of the above

8. Which of the following statements are true about responsibility accounting?
   a. Responsibility accounting results in inter-departmental conflicts
   b. In responsibility center more focus is paid on products, processes or jobs
   c. No focus is paid on controlling costs
   d. None of the above

9. Cost auditor is appointed by
   a. Central Government
   b. Shareholders
   c. Board of Directors
   d. None of the above

10. Processes that operate with "Six Sigma Quality" over the short term are assumed to produce long-term defect levels below ______________ defects per million opportunities (DPMO).
    a. 2
    b. 2.4
    c. 3
    d. 3.4

11. Productivity is the ____ of production system.
    a. Measurement
    b. Efficiency
    c. Both (A) and (B)
    d. None of the above

12. In which of the following manufacturing organisations would activity-based costing be most relevant?
    a. High product diversity and little automation.
    b. High product diversity and high automation.
    c. Low product diversity and little automation.
    d. Low product diversity and high automation.

13. What is the most likely stage in the product life cycle that a product's cumulative cash curve is expected to go above zero?
    a. Growth
    b. Decline
    c. Maturity
    d. Introduction

14. The market price method satisfies a key objective of transfer pricing, namely:
    a. objectivity
    b. consistency
    c. usability
    d. reliability

15. Which one of the flowing is not true relating to learning curve?
    a. Learning curves are also known as experience curve
    b. If the attitude of the individual is positive, the resulting curve will not hold good.
    c. Learning curve shows that if a task is performed over and over than less time will be required at each iteration
    d. If the rate of reduction is 20% than the learning curve is referred as 80% learning curve.

16. An unfavourable material price variance occurs because of:
    a. Price increase in raw materials
    b. Price decrease in raw materials
    c. Less than anticipated normal wastage in manufacturing process
    d. More than anticipated normal wastage in manufacturing process

17. Under standard cost system the cost of the product determined at the beginning of production is its:
    a. Direct cost
    b. Pre-determined cost
    c. Historical cost
    d. Actual cost

18. If standard hours for 100 units of output are 400 @ Rs. 2 per hour and actual hours take are 380 @ `Rs. 2.25 per, then the labour rate variance is
    a. Rs.100 (adverse)
    b. Rs.25 (favourable)
    c. Rs. 95 (adverse)
    d. Rs.120 (adverse)

19. Which of the following does not relate to EVA?
    a. Operating profits
    b. Customer satisfaction
    c. Tax
    d. Cost of capital

20. In activity based costing, costs are accumulated by activity using:

a. Cost drivers
b. Cost objects
c. Cost pools
d. Cost benefit analysis

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Descriptive

Time : 2 Hr. 30 Mins. Marks : 50

[Answer question no.1 & any four (4) from the rest]

1. a) Explain with example the concept of Economic Value Added. 5+5=10
   b) Briefly discuss the concept of Learning Curve with a suitable example.

2. Assuming that the cost structure and selling prices remain the same in Periods I and II, find out: 2×5=10
   a) Profit Volume Ratio;
   b) Break Even Point for Sales;
   c) Profit when Sales are of Rs. 1,00,000;
   d) Sales required to earn a Profit of Rs. 20,000; and
   e) Margin of Safety at a profit of Rs. 15,000;

Period	Sales	Profit
	Rs.	Rs.
I	1,20,000	9,000
II	1,40,000	13,000

3. From the information given below prepare flexible budget at 60 and 80 per cent capacities, and fix the total overhead rates as a per cent on direct wages at these capacities. 10

Particulars	At 60% capacity Rs.	At 75% capacity Rs.	At 80% capacity Rs.
Variable overheads:			
Indirect materials		7,500	
Indirect labour		22,500	
Semi-variable overheads:			
Electricity (40% fixed, 60% variable)		37,500	
Repairs and maintenance (80% fixed, 20% variable)		3,750	
Fixed overheads:			
Salaries		1,00,000	
Insurance		5,000	
Depreciation		25,000	

Estimated direct wages, Rs. 40,250 at 75% capacity.

4. Discuss the significance of Standard Costing and Variance Analysis in business decision making process. 5+5=10

5. Department Z is a profit centre, which produces four products- A, B, C and D. Each product is sold in the external market also. Data for the period is as follows: 10

Particulars	A	B	C	D
Market Price Per Unit (Rs.)	150	146	140	130
Variable Cost of Production Per Unit (Rs.)	130	100	90	85
Labour Hours Required Per Unit	3	4	2	3

Product D can be transferred to division Y, but the maximum quantity that might be required for transfer is 2,500 units of D.
The maximum sales in the external market are:
A-2800 units; B- 2,500 units; C-2300 units and D-1,600 units.
What should be transfer price for each unit for 2,500 units of D, if the total labours available in the department Z are 30,000 hours?

6. a) Discuss the objectives and advantages of Management Audit. 5+5=10
   b) Write a note on Cost Audit under the Companies Act, 2013.

7. Write short notes on: (*Any two*) 5×2=10
   a) Target Costing
   b) ERP in Business
   c) Measurement of Productivity

8. PCT Ltd. produces three products X, Y and Z for which the standard cost and quantities per unit are as follows: 10

Particulars		Products	
	X	Y	Z
Output (units)	10,000	20,000	30,000
Direct Material Cost per unit	Rs. 30	Rs. 20	Rs. 10
Direct Labour Wages per unit (@Rs. 20)	Rs.20	Rs. 40	Rs. 60
Machine Hours per unit	3	2	1
No. of Purchase Requisitions	1000	200	300
No. of Machine Set-ups	150	100	50
Production Overheads:			
Department P – Rs. 7,00,000			
Department Q – Rs. 11,00,000			

Department P is labour intensive and Q is machine intensive.
Total labour hours in Dept. P = 1,40,000;
Total machine hours in Dept. Q = 1,00,000

Production overheads by activity:

Receiving and inspection	Rs. 6,00,000
Production scheduling/set up	Rs. 12,00,000

Required: Prepare Statement of Cost per unit under traditional absorption costing and activity-based costing approaches. Also compare the result of the two methods and give your comments.

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