

MASTER OF COMMERCE
FIRST SEMESTER [REPEAT]
ADVANCED COST & MANAGEMENT ACCOUNTING
MCM – 102

**SET
A**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

(Objective)

Marks: 20

Choose the correct answer from the following:

1 × 20 = 20

- In which type of industries is Activity Based Costing most commonly used? _
 - Industries with low overhead costs
 - Service industries and manufacturing industries with complex production processes
 - Industries with a focus on direct labor costs
 - Ignoring industry-specific considerations
- What is a primary objective of conducting a Management Audit?
 - Identifying areas for improvement in management processes
 - Maximizing profits
 - Focusing solely on employee moral
 - Minimizing production costs
- How can benchmarking contribute to cost reduction?
 - By disregarding industry standards
 - By comparing performance and practices with industry leaders to identify areas for improvement
 - By avoiding external comparisons
 - By ignoring market trends
- How can Target Costing contribute to better cost management?
 - By disregarding competitors
 - By setting rigid cost standards
 - By aligning costs with customer expectations and market conditions
 - By excluding the analysis of cost variances
- What is a potential benefit of using Standard Costing?
 - Ignoring cost variances
 - Identifying inefficiencies and areas for improvement
 - Eliminating the need for performance evaluation
 - Only considering actual costs for decision-making
- Which cost or costs are typically included in Life Cycle Costing?
 - Only direct costs
 - Initial purchase costs
 - Acquisition, operation, maintenance, and disposal costs
 - Only variable costs
- An increase in sales price:
 - Lower the BEP
 - Increase the BEP
 - Lowers the new profit
 - None of the above
- Cost auditor is appointed by
 - Central Government
 - Shareholders
 - Board of Directors
 - None of the above

9. The responsibility accounting stresses on _____
- Decentralization
 - Centralization
 - Both (a) & (b)
 - None of these
10. Productivity is the ____ of production system.
- Measurement
 - Efficiency
 - Both (A) and (B)
 - None of the above
11. The market price method satisfies a key objective of transfer pricing, namely:
- objectivity
 - Consistency
 - usability
 - Reliability
12. Which one of the following is not true relating to learning curve?
- Learning curves are also known as experience curve
 - If the attitude of the individual is positive, the resulting curve will not hold good.
 - Learning curve shows that if a task is performed over and over than less time will be required at each iteration
 - If the rate of reduction is 20% than the learning curve is referred as 80% learning curve.
13. $EVA = NOPAT - Invested\ Capital \times$ _____
- OCC
 - ACC
 - WACC
 - NCC
14. 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
- Rs.95 (adverse)
 - Rs.25 (favourable)
 - Rs. 90 (adverse)
 - Rs.120 (adverse)
15. Which of the following is usually a short-term budget?
- Capital expenditure budget
 - Research and development budget
 - Cash budget
 - None of the above
16. If P/V ratio is 40% of sales then what about the remaining 60% of sales
- Profit
 - Fixed cost
 - Variable cost
 - Margin of safety
17. Which factor or factors can change the break-even point?
- Change in fixed costs
 - Change in variable costs
 - Change in the selling price
 - All of the above
18. Which one of the following is not a tool and techniques of Cost Reduction?
- Budgetary control
 - Standard costing
 - Marginal costing
 - Value analysis
19. Responsibility centre can be categorized into:
- Cost centres only
 - Profit centres only
 - Investment centres only
 - Cost centres, Profit centres and Investment centres
20. In _____ costing, all products cost are predetermined even before a product reaches the production floor.
- Standard
 - Activity Base
 - Life Cycle
 - Target

(Descriptive)

Time : 2 Hr. 30 Mins.

Marks : 50

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

1. Explain the classification of budgets according to time, functions and flexibility. 2+6+2=10
2. Assuming that the cost structure and selling prices remain the same in period I and period II, find out: 2×5=10
- a) P/V ratio,
 - b) Fixed Cost,
 - c) BEP for sales,
 - d) Profit when sales is Rs. 1,00,000
 - e) Margin of safety at a profit of Rs. 10,000.

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

3. From the following budget data, forecast the cash position at the end of April, May and June, 2023: 10

Month	Sales (Rs)	Purchases (Rs)	Wages (Rs)	Misc. (Rs)
February	1,20,000	84,000	10,000	7,000
March	1,30,000	1,00,000	12,000	8,000
April	80,000	1,04,000	8,000	6,000
May	1,16,000	1,06,000	10,000	12,000
June	88,000	80,000	8,000	6,000

Additional Information:

- a) Sales: 20% realized in the month of sales, discount allowed 2%. Balance realized equally in two subsequent months.
 - b) Purchase: These are paid in the month following the month of supply.
 - c) Wages: 25% paid in arrears following month.
 - d) Miscellaneous expenses: Paid a month in arrears Rent: Rs. 1,000 per month paid quietly in advance due in April.
 - e) Income-tax: First installment of advance tax Rs. 25,000 due on or before 15th June.
 - f) Income from Investments: Rs. 5,000 received quietly, in April, July, etc.
 - g) Cash in hand: Rs. 5,000 on 1st April, 2023.
4. Zahin Ltd. produces three products X, Y and Z for which the standard cost and quantities per unit are as follows: 5+5=10

Particulars	Products		
	X	Y	Z
Outputs (units)	10,000	20,000	30,000
Direct Material cost per unit	Rs. 30	Rs.20	Rs.10
Direct Labour Wages per hour (Rs.20)	Rs.20	Rs.40	Rs.60
Machine Hours per unit	3	2	1

No. of Purchase Requisitions	1,000	200	300
No. of Machine Set-ups	150	100	50

Production Overheads:-

Department: P-Rs.14,00,000

Q-Rs.22,00,000

Production overheads by activity:

Receiving and inspection Rs.12,00,000; Production scheduling/set-up Rs.24,00,000.

Prepare a Statement of Cost per unit under ABC approach.

5. a) A manufacturing concern sells one of its products under the brand name "Utility" at Rs. 3.50 each, the cost of which is Rs.3.00 each. After further processing, which entails additional materials and labour cost of Rs.2.50 and Rs.2.00 per number respectively, Utility is converted into another product "Ace" which is sold at Rs.8.00 each. The concern produces per day 600 numbers of each of the two products for which 2,500 labour hours are utilized. The factory overheads have been budgeted as under:

7+3=10

Labour hours	2000	2500	3000	3500
Factory overheads (Rs.)	700	800	900	1000

The following alternative proposals have been put forth for varying the sales mix:

- To process the entire quantity of Utility so as to convert it into 600 numbers of Ace. This will need an additional 500 labour hours.
- To continue the present level of output of Utility but double the production of Ace.

You are required to work out the incremental Profit/Loss involved in each of the two proposals and to offer your suggestions.

- b) Write a note on Transfer Pricing.

6. From the following data calculate various material variances:

2×5=10

Materials	Standard Quantity (Units)	Standard Price per unit (Rs.)	Actual Quantity (Units)	Actual Price per unit (Rs.)
A	80	8.00	90	7.50
B	70	3.00	80	4.00
	150		170	

7. a) Write on the following related to Responsibility Accounting:

2+3+5=10

- Meaning and objectives
 - Types and characteristics of Responsibility Centres
- b) Write a comprehensive note on Cost Audit under the Companies Act, 2013.

8. Write short notes on (any two):

5×2=10

- Shareholder Value Added
- Value Added Statement with a suitable example
- Learning Curve

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