MCOSC-4.1A/C

Sl.No. : **Total No. of Pages : 4**

IV Semester M.Com. Degree Examination, November - 2024
(SLM Scheme, CBCS)
COMMERCE
Course - II : Strategic Cost Management

Time : 3 Hours **Max. Marks : 80**

SECTION - A

Answer any Four questions. Each question carries Five marks. **[4×5=20]**

Q1) What are the limitations of traditional Cost Management?

Q2) What is Activity-Based Costing (ABC)?

Q3) Explain the role of environmental management accounting in decision making.

Q4) Define Just-in-Time (JIT) and its essential pre-requisites.

Q5) Describe the usefulness of Pareto Analysis.

Q6) Shruthi company Ltd produces 3 types of products A, B and Z for which the standard cost and output are as follows :

Products	A	B	Z
Output (Unit)	10,000	20,000	30,000
Direct material per Unit	₹50	₹40	₹32
Direct labour per Unit (in ₹)	30	40	48
Labour hours per Unit	3	4	5
Machine hours per Unit	4	4	7
No of Purchase requisitions	600	900	1000
No of machine setups	120	130	150

Production overheads split by departments

Department X	₹12,00,000
Department Y	₹15,00,000
Total	₹27,00,000

Department X is labour intensive and Department Y is machine intensive.

Total labour hours in Department X = 2,00,000

Total machine hours in Department Y = 5,00,000

Production overhead splits by activity :

Receiving an inspection	₹14,00,000
Production scheduling/setup	₹13,00,000
Total	₹27,00,000

No of batch received/inspected - 2500

No of batches for scheduling/setup - 400

You are required to prepare cost statement under Activity-Based Costing method.

SECTION - B

Answer any Three of the following questions. Each question carries Ten marks. **[3×10=30]**

Q7) Outline the cost and benefits associated with Six Sigma implementation.

Q8) Explain the Significance of Life Cycle Costing.

Q9) The Ram Lal Co. produces three products, A, B and C, all made from the same material. Until now, it has used traditional absorption costing to allocate overheads to its products. The company is now considering an activity based costing system in the hope that it will improve profitability. Information for the three products for the last years is as follows :

	A	B	C
Production and sales volumes (units)	15,000	12,000	18,000
Selling price per unit	₹7.50	₹12	₹13
Raw material usage (kg) per unit	2	3	4
Direct labour hours per unit	0.1	0.15	0.2
Machine hours per unit	0.5	0.7	0.9
Number of production hours per annum	16	12	8
Number of purchase order per annum	24	28	42
Number of deliveries to retailers per annum	48	30	62

The price for raw materials remained constant throughout the year at ₹1.20 per kg. Similarly, the direct labour cost for the whole workforce was ₹14.80 per hour. The annual overhead costs were as follows:

Machine set up costs ₹26,550

Machine running costs ₹66,400

Procurement costs 48,000

Delivery costs 54,320

Calculate the full cost per unit of each product using activity based costing.

Q10) For a company, sales are ₹80,000, variable cost are ₹4,000, and fixed cost are ₹4,000. Calculate the following :

i) PVR,

ii) BEP (Sales), and

iii) Profit

Q11) The Ramesh Company has three products X, Y and Z having contribution margins of ₹3, ₹4 and ₹8 respectively. The president of the company is planning to sell 1,00,000 units in the fourth coming period, costing of 90,000 X, 1,10,000 Y and 40,000 Z. The company's fixed for the period and ₹4,00,000.

You are required to ascertain

a) The company's breakeven point in units assuming that the given sales mix is maintained.

b) The net income if 80,000 units of X, 1,00,000 units of Y and 1,20,000 units of Z were sold. What would be the new breakeven point if these units were sold in the next period?

SECTION - C

Answer any Two of the following questions. Each question carries Fifteen marks.

[2×15=30]

Q12) Discuss the role of Environmental Management Accounting in product and process-related decision-making.

Q13) Explain the provisions, objectives, and scope of Cost Audit. Discuss the importance of different types of audits.

Q14) A Loading publishers two versions of a text book : One is a Paper back and other is hard bound. Management is considering publishing only the higher quality book. The firm assigns its ₹5,00,000 of overhead to the two types of books. The overhead is composed of ₹2,00,000 of Utilities and ₹3,00,000 of quality control Inspectors' salaries. Some additional data is as follow :

	Paper Back	Hard bound
Revenues	16,00,000	14,00,000
Direct cost	12,50,000	6,00,000
Production (units)	5,00,000	3,50,000
Machine hours	42,500	7,500
Inspections	2,500	12,500

Required :

a) Calculate the overhead cost that should be allocated to each type of text book using appropriate cost drivers.

b) The firm has used machine hours to allocate overhead in the past. Should the publishers stop producing the paperback books?

c) Explain why management was considering this action and what its decision should be?

Q15) A machine used on a production line must be replaced at least every four years. The costs incurred in running the machine according to its age are as follows :

Particulars	Age of machine (years)				
	0	1	2	3	4
Purchase Price	3000				
Maintenance		800	900	1000	1000
Repairs			200	400	800
Net Realizable Value		1600	1200	800	400

Future replacement will be identical machines with the same costs. Revenue is unaffected by the age of the machine. Assume there is no inflation and ignore tax. The cost of capital is 15%. Determine the optimum replacement cycle. Present value factors at 15% for years 1, 2, 3, and 4 are 0.8696, 1.6257, 2.2832, and 2.8550 respectively.

