

2023

COST AND MANAGEMENT ACCOUNTING - II — HONOURS

Paper : CC-4.2 Ch

Full Marks : 80

The figures in the margin indicate full marks

*Candidates are required to give their answers in their own words
as far as practicable.*

Group - A

1. A Ltd. produces three joint products X, Y and Z. During a particular month, amount spent upto the split-off point for all the products was ₹ 3,00,000. The other relevant particulars were :

	<u>X(₹)</u>	<u>Y(₹)</u>	<u>Z(₹)</u>
Post split-off costs	40,000	30,000	20,000
Sales value	3,00,000	2,00,000	1,50,000
Selling and Distribution expenses	20,000	25,000	16,000
Estimated Profit on sales	25%	20%	16%

Apportion the joint costs.

5

Or,

- (a) Briefly state the meaning of Cost Pool and Cost Driver.
(b) From the information given below select the appropriate cost driver for the different Cost Pools and calculate the Cost Driver rates : 2+3

<u>Cost Pools</u>	<u>Production overhead (₹)</u>	<u>Cost Drivers</u>	<u>Quantity of Cost Drivers</u>
—	—	Number of Orders	2,500
Machine setup	1,00,000	Number of Requisitions	1,000
Purchase orders	2,00,000	Number of Setups	2,000
Material Handling	3,00,000	Machine Hours	15,000

2. (a) What do you mean by Break-Even Point?
(b) In respect of a product, total fixed cost is ₹ 2,00,000. The proportion of variable cost to sales is 60%. Compute the Break-Even Point of the product. 2+3

Group - B

3. Sudipta Ltd. is currently operating at 50% capacity and produces 5,000 units at a cost of ₹ 90 per unit, the details of which are as follows :

	₹
Materials per unit	50
Wages per unit	15
Factory overhead (40% fixed) per unit	15
Administrative overhead (50% variable) per unit	10
Current selling price per unit	100

At 80% capacity, material cost per unit increases by 10% and selling price per unit falls by 5%. Prepare Flexible budget showing total cost and profit at 50% and 80% capacity of production. Give your answer with working notes. 10

4. The following information are available in respect of Product 'X' :
Standard Labour Hours and Rate for Production of one unit :

<u>Category of Worker</u>	<u>Hours</u>	<u>Rate per hour (₹)</u>	<u>Total (₹)</u>
A	4	2.00	8.00
B	6	1.00	6.00
C	3	1.50	4.50
			18.50

Actual data for production of 1,500 units :

<u>Category of Worker</u>	<u>Hours worked</u>	<u>Rate per hour (₹)</u>	<u>Total (₹)</u>
A	7,000	3.00	21,000
B	13,000	1.00	13,000
C	6,000	1.50	9,000
	26,000		43,000

Analyse Labour Cost Variances. 10

5. Explain the concept of different Overhead Cost Variances. 10

Or,

What is standard costing? What are its objects? In what type of industries is this system of costing useful? 3+4+3

6. A manufacturing company has produced and sold 10,000 units of P, 7,000 units of Q and 5,000 units of R during a year.

The following information are also available :

<u>Particulars</u>	<u>Per unit</u>		
	<u>P</u>	<u>Q</u>	<u>R</u>
Variable cost (₹)	10	18	16
Time Taken (Labour Hours)	5	6	5
Selling Price (₹)	18	27	36
Fixed Cost (Total) ₹ 1,00,000			

Due to shortage of labour, the available working hours for the next year are estimated to be only 45,000 labour hours. Suggest a suitable sales-mix and total profit for the next year when :

- (a) There is enough demand for all the products.
 (b) The potential demand is 4500 units for P, 2500 units for Q and 3000 units for R. 5+5

Or,

The production department of M.R. Ltd. is running at 60% capacity due to trade recession. The following informations are available for the year 2022 :

	<u>Cost per unit (₹)</u>
Direct Material	50.00
Direct Wages	15.00
Variable overhead	10.00
Fixed overhead	25.00
	100.00

During the year 2022, M.R. Ltd produces 600 units and sold them for ₹ 54,000.00 (rupees fifty-four thousand).

A customer offers to buy 300 units at the rate of ₹ 80.00 per unit. The Managing Director hesitates to accept the offer.

Advise whether the company should accept or decline the offer, clearly showing the reasons in support of your answer.

Group - C

7. The sales and profits during two years were as given below :

<u>Year</u>	<u>Sales (₹)</u>	<u>Profit (₹)</u>
2021	3,00,000	40,000
2022	3,40,000	50,000

You are required to compute :

- (a) P/V Ratio
 - (b) Break-Even Point
 - (c) Profit made when sales are ₹ 5,00,000
 - (d) Sales required to reach a profit of ₹ 25,000
 - (e) Margin of safety at a profit of ₹ 50,000. 15
8. From the following information calculate the overhead cost per unit of product P and Q on :
- (a) Traditional method
 - (b) Activity Based Costing Method 5+10

<u>Product</u>	<u>Annual Production (units)</u>	<u>Total Machine Hours</u>	<u>Total number of Purchase Orders</u>	<u>Total number of Setups</u>
P	2,500	10,000	80	10
Q	30,000	60,000	192	22

The annual overheads are as under :

	₹
Volume related activity costs	2,75,000
Set-up related costs	4,10,000
Purchase related costs	3,09,000
	9,94,000

Or,

- (a) Why allocation of Joint Costs to products is important?
- (b) Explain briefly the different methods of allocating Joint Costs to products. 3+12