

**MASTER OF COMMERCE
SECOND SEMESTER
COST & MANAGEMENT ACCOUNTING
MCM-204**

Duration : 3 hrs.

Full Marks: 70

(PART-A: Objective)

Time : 20 min.

Marks : 20

Choose the correct answer from the following:

1X20=20

1. An increase in sales price:
 - a. Lower the BEP
 - b. Increase the BEP
 - c. Lowers the new profit
 - d. None of the above
2. Cost auditor is appointed by
 - a. Central Government
 - b. Shareholders
 - c. Board of Directors
 - d. None of the above
3. The responsibility accounting stresses on _____
 - a. Decentralization
 - b. Centralization
 - c. Both (a) & (b)
 - d. None of these
4. 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
5. Productivity is the ____ of production system.
 - a. Measurement
 - b. Efficiency
 - c. Both (A) and (B)
 - d. None of the above
6. 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.
7. 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
8. The market price method satisfies a key objective of transfer pricing, namely:
 - a. objectivity
 - b. consistency
 - c. usability
 - d. reliability

9. 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 then less time will be required at each iteration
 - If the rate of reduction is 20% then the learning curve is referred as 80% learning curve.
10. An unfavourable material price variance occurs because of:
- Price increase in raw materials
 - Price decrease in raw materials
 - Less than anticipated normal wastage in manufacturing process
 - More than anticipated normal wastage in manufacturing process
11. Under standard cost system the cost of the product determined at the beginning of production is its:
- Direct cost
 - Pre-determined cost
 - Historical cost
 - Actual cost
12. Which of the following variance arises when more than one material is used in the manufacture of a product?
- Material mix variance
 - Material price variance
 - Material usage variance
 - Material yield variance
13. 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.100 (adverse)
 - Rs.25 (favourable)
 - Rs. 95 (adverse)
 - Rs.120 (adverse)
14. The fixed-variable cost classification has a specified significance in preparation of:
- Master Budget
 - Research and development budget
 - Cash Budget
 - Flexible Budget
15. Under profit volume ratio, the term profit
- Means the sales proceeds in excess of total costs
 - Here mean the same thing as is generally understood
 - Is a misnomer, it in fact refers to contribution i.e. (sales revenue-variable costs)
 - 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. Margin of safety may be improved by:
- Increasing sales volume
 - Lowering variable cost
 - Lowering fixed cost
 - All of the above

18. Transfer price help in accurate measurement of performance?

- a. Divisional
- b. Organisational
- c. Managerial
- d. Product

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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[PART-B : Descriptive]

Time: 2 HRS 40 MINS

Marks : 50

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

1. The expenses budgeted for productions of 10,000 units in a factory are furnished below:

5+5=10

Particulars	Per unit (Rs.)
Prime cost	100
Variable Factory Overheads	20
Fixed Factory Overheads (Rs.1,00,000)	10
Selling and Distribution Expenses (20% fixed)	20
Administrative Expenses (Rs.50,000)	5
Total cost of sales per unit	155

You are required to prepare a budget for the production of 8,000 units and 12,000 units.

2. From the following data calculate material:

2.5×4=10

Cost variance, Price variance, Usage variance and Mix Variance.

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

3. Present the following information to show to the management:
- The marginal product cost and the contribution per unit.
 - The total contribution and profits resulting from each of the following sales mixes.
 - The proposed sales mix to earn a profit of Rs.250 and Rs. 300 with total sales of A and B being 300 units.

3+3+3+1=10

Particulars	Product-A (Rs.)	Product-B (Rs.)
Direct materials (per unit)	10	9
Direct wages (per unit)	3	2
Sales price (per unit)	20	15

Fixed expenses Rs.800 (Variable expenses are allotted to products as 100% of direct wages)

Sales mixtures:

- i) 100 units of product A and 200 units of B
- ii) 150 units of product A and 150 units of B
- iii) 200 units of product A and 100 units of B

Recommend which of the sales mixtures should be adopted.

4. 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.

5. a) What is Transfer Pricing? Discuss about any one method of Transfer Pricing. 2+3+5=10
 b) P Ltd. produces three products X, Y and Z for which the standard cost and quantities per unit are as follows:

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.7,00,000

Q-Rs.11,00,000

Production overheads by activity:

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

Prepare a Statement of Cost per unit under ABC approach.

6. 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?

7. a. Discuss the objectives and advantages of Management Audit. 5+5=10
b. Write a note on Cost Audit under the Companies Act, 2013.
8. Write short notes on: 5×2=10
a) Target Costing
b) Significance of "Six Sigma" in industries

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