K23P 0517

Reg. No. : ....

Name : ....

II Semester M.Com. Degree (CBSS – Reg./Supple./Imp.) Examination, April 2023
(2019 Admission Onwards)
COM2C08 : COSTING FOR MANAGEMENT DECISIONS

Time : 3 Hours Max. Marks : 60

SECTION – A

Answer **any four** questions in this Section. **Each** question carries **1** mark for Part (**A**), **3** marks for Part (**B**) and **5** marks for Part (**C**).

1. A) Define cost.

   B) Distinguish between period cost and product cost.

   C) The size of the ‘‘Margin of Safety’’ is extremely valuable guide to the strength of a business. Discuss the possible steps to rectify the position when the ‘‘Margin of Safety’’ is unsatisfactory.

2. A) Define ‘‘Marginal Cost’’.

   B) What is P/V ratio and to what use it is put ?

   C) What is break even chart ? What is a profit graph ? State the purposes of constructing such charts.

3. A) Define ‘Sales Mix Variance’.

   B) Distinguish between standard costing and budgetary control.

   C) ‘‘Analysis of cost variances between the budgets and actual is a post-mortem exercise rather than a control exercise’’. Give your comments on the statement, suggest a pragmatic solution in a given context of your choice.

P.T.O.

4. A) What is 'key factor' or 'limiting factor' ?

   B) What are the underlying assumptions of Break-Even analysis ?

   C) The following figures relates to one year work in a manufacturing business :

	Rs.
Fixed overhead	1,20,000
Variable overhead	2,00,000
Direct wages	1,50,000
Direct materials	4,00,000
Sales	10,00,000

   Represent each of the above figures graphically on a break-even chart and determine the break even point from the chart.

5. A) Define standard cost.

   B) How can you draw conclusions based on variance report ?

   C) Explain the different methods of disposal of variance, stating the suitability of each method.

6. A) Actual cost, in isolation, is relatively value less to the management. Comment.

   B) "A sound costing system must place the same emphasis on cost control as on cost ascertainment." Discuss.

   C) Auto Parts Ltd. has an annual production of 90,000 units for a motor component. The component's cost structure is as below :

Materials	Rs. 270 per unit
Labour (25% fixed)	180 per unit
Expenses :	
Variable	90 per unit
Fixed	135 per unit
Total	**675 per unit**

   The purchase manager has an offer from a supplier who is willing to supply the component at Rs. 540. Should the component be purchased and production stopped ?

SECTION – B

Answer the **two** questions in this Section. **Each** question carries **12** marks.

7. A) What effect could the following changes, occurring independently, have on (i) break-even point (ii) contribution margin and expected profit ?
   I) An increase in fixed cost.
   II) A decrease in wage rates applicable to direct, strictly variable labour.
   III) An increase in the selling price of product.
   IV) An increase in production volume.

   OR

   B) Define standard costing and explain its objectives. 'Standard costing is used as a cost control technique'. Explain.

8. A) A building can be constructed by engaging a gang of workers as per details given below for 100 working days of eight hours each.

Standard data	**Skilled**	**Semi-skilled**	**Unskilled**
No. of workers in the gang	6	8	6
Standard rate of wages per hour	Rs. 25	Rs. 20	Rs. 16

Actual completion of the work however took 104 days of eight hours each. This includes 16 hours of stoppages due to heavy rains. The actual number of workers engaged and the actual rates paid are given below :

	Skilled	**Semi-skilled**	**Unskilled**
No engaged	8	6	6
Actual rate/hour	Rs. 30	Rs. 24	Rs. 16

Calculate the following variances :
   I) Labour cost variance.
   II) Labour rate variance.
   III) Labour efficiency variance.
   IV) Labour mix variance.
   V) Idle time variance.

   OR

B) A company manufactures three products. The respective details are :

	A	B	C
Capacity engaged	20%	40%	40%
Units produced	2000	5000	6000
Cost per unit	**Rs.**	**Rs.**	**Rs.**
Materials	20	32	36
Wages	10	12	16
Variable overheads	7	9	11
Fixed overheads	6	9	10
Total	**43**	**62**	**73**
Selling price per unit	40	75	85
Profit per unit (loss)	(3)	13	12

The management proposes to discontinue the product A as for the last few years it is showing a loss. Future prospects of other products being good, it is intended to utilise the disengaged capacity in product A, in product B and C equally.

Expected rise in prices and cost	**B**	**C**
Material	10%	10%
Wages	4%	5%
Selling price	2%	5%

Fixed overheads shall remain the same. You are required to prepare a statement of projected profitability and advise the management as to whether the scheme may be adopted.