K24P 0876

Reg. No. : ....

Name : ....

Second Semester M.Com. Degree (C. B. S. S. – Supple. (One Time Mercy Chance)/Imp.) Examination, April 2024
(2014 to 2022 Admissions)
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) What is ideal standard ?

   b) What are the limitations of financial accounting ?

   c) Assuming that the cost structure and selling price per unit remain the same, you are required to calculate

      1) Profit volume ratio ;

      2) Fixed cost ;

      3) Break-even point ;

      4) Variable costs during the two periods ;

      5) Margin of safety at a profit of ₹ 24,000.

Period	**Sales (₹)**	**Profit (₹)**
I	2,70,000	6,000
II	3,00,000	15,000

2. a) Give three assumptions of Break-even Chart.

   b) What is key factor ? How does this factor affect the decision about the profitability of a product ?

   c) The standard cost of a chemical mixture is as under ;

   40 tons of material X @ ₹ 45 per ton

   60 tons of material Y @ ₹ 30 per ton

   Standard yield is 90% of input

   Actual cost for a period is as follows ;

   45 tons of material X @ ₹ 40 per ton

   55 tons of material Y @ ₹ 34 per ton

   Actual yield is 91 tons

   Calculate material yield variance.

3. a) Distinguish between differential costing and marginal costing.

   b) Explain the areas of cost reduction.

   c) A company has a capacity of producing 1,00,000 units of certain product in a month. The sales department reports that the following schedule of sale price is possible;

Volume of production	**Selling price per unit (₹)**
60%	0.90
70%	0.90
80%	0.75
90%	0.67
100%	0.61

   The variable cost of manufacture between these levels is ₹ 0.15 per unit and fixed cost ₹ 40,000. At which volume of production will the profit be maximum ?

4. a) What is P/V Ratio ?

   b) What are the main objectives of cost accounting ?

   c) A manufacturing company finds that while the cost of making a component part is ₹ 10, the same is available in the market at ₹ 9 with an assurance of continuous supply. Give your suggestions whether to make or buy this part. Give also your views in case the supplier reduces the price from ₹ 9 to ₹ 8. The cost of information is as follows :

   Materials – ₹ 3.50; Direct labour – ₹ 4.00; Other variable expenses – ₹ 1.00; Fixed expenses – ₹ 1.50.

5. a) What do you mean by value analysis in cost reduction programme ?

   b) What is Profit Volume Graph ? Explain the limitations of P/V Graph.

   c) State the main techniques of cost control.

6. a) What is material variance ?

   b) What are the advantages of standard costing ?

   c) What are the merits of value analysis ? **(4×9=36)**

SECTION – B

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

7. a) What is Marginal costing ? What are the important applications of marginal costing ?

   OR

   b) What are the practical difficulties in installation of costing system ? What suggestions can you put forth to overcome the practical difficulties ?

8. a) From the following data, calculate overhead variances :

	Budgeted	**Actual**
Overheads	₹ 3,75,000	₹ 3,77,500
Output per man hour in units	2	1.9
Number of working days	25	27
Man hours per day	5,000	5,500

   OR

b) A company is at present working at 90% of its capacity and producing 13,500 units per annum. It operates a flexible budgetary control system. Following figures are obtained from its budget :

	90%	100%
	₹	₹
Sales	15,00,000	16,00,000
Fixed expenses	3,00,500	3,00,500
Semi-fixed expenses	97,500	1,00,500
Variable expenses	1,45,000	1,49,500
Units made	13,500	15,000

Labour and material cost per unit are constant under present conditions. Profit margin is 10 percent.

a) You are required to determine the differential cost of producing 1,500 units by increasing capacity to 100 percent.

b) What would you recommend for an export price for these 1,500 units taking into account that overseas prices are much lower than indigenous prices.

(2×12=24)