

M.Com. HPP (AAA) Semester-4 Examination

CC-17

Cost Accounting -II

April-2023

Time : 2-30 Hours]

[Max. Marks : 70

Q.1

(A) Pareva Ltd. has production capacity of 1,00,000 units per year. Normal capacity utilization is recognized as 90%, standard variable production costs are ₹11 per unit. The fixed costs are ₹1,80,000 per year, variable selling costs are ₹3 per unit and fixed selling costs are ₹1,35,000 per year. The unit selling price is ₹20. In the year just ended on 31st March 2023, the production was 80,000 units and sales were 75,000 units. The closing inventory was 10,000 units. The actual variable production costs for the year were ₹17,500 higher than standard.

Calculate the profit for the year by the Marginal costing method.

7

(B) Explain Absorption costing system.

7

OR

Q.1

(A) Rudra Ltd. manufactures three products A, B and C. The unit selling prices of these products are ₹50, ₹40 and ₹25. The corresponding unit variable costs are ₹25, ₹20 and ₹10. The proportion (quantity-wise) in which these products are manufactured and sold are 20%, 30% and 50% respectively. The total fixed costs are ₹14,80,000/- Given the above information, you are required to work out the overall break-even quantity and the product-wise break-up of such quantity.

7

(B) Sonu limited provides you the following information:

	2021-2022	2022-2023
Sales (₹)	2,00,000	3,00,000
Profit (₹)	72,000	1,32,000

You are required to calculate the following:

- The P/V ratio, fixed cost, break-even point and margin of safety for the year 2022-2023.
- The amount of profit / loss when sales for the year are ₹6,00,000.
- The amount of sales required to earn a profit of ₹3,00,000.

7

P.T.O

Q.2

Vrunda Ltd. produces and sales three products as below. It provides the following information:

Particulars	X	Y	Z
(1) Maximum estimated sales (units)	7,500	10,000	15,000
(2) Selling price per unit (₹)	150	125	100
(3) Profit-Volume-Ratio (%)	20%	30%	25%
(4) Direct wages per unit (₹)	60	52.5	30

The total fixed expenses are estimated ₹5,00,000. The company uses same workers for all three products. Rate of wages per hour is ₹7.50.

Calculate the best production mix in each of the following three independent eases and find out profit when maximum available labour time is 1,50,000 hours. **14**

OR

Q.2

(A) Explain the limitations of Linear Programming. **7**

(B) Nandu Ltd. manufactures two different products P and Q. Their per unit contribution is ₹25 and ₹20 respectively. They are produced in common production process and are sold in two different markets. Production capacity is of 20,000 man hours. Three man hours are consumed for one unit production of P and one hour for one unit production of Q. As per estimates 6,000 units of P and 5,000 units of Q can be sold. Subject to these limitations, products can be sold in any combination.

Develop Linear Programming model for maximization of profit. **7**

Q.3

(A) From an analysis of 2022-23 cost figures, Miss Ruhi finds that her variable cost of operating is 60 percent of sales, her fixed costs are ₹2,40,000/- per year, show computations to answer the following questions:

- What sales volume must be obtained to break-even?
- Miss Ruhi estimates that even if she closed the doors of her business, she would incur ₹90,000 per year. At what sales level would it be better off by locking her business up? **7**

(B) A company had purchased machine for ₹2,00,000. It has book value of ₹60,000 but has become absolute and cannot be sold. However, if the firm is willing to modify the machine at a cost of ₹80,000 it can be sold for ₹1,30,000.

Determine:

- Irrelevant cost
- Relevant Cost
- Relevant benefit

(iv) Incremental benefit 7

OR

Q.3

(A) Explain relevant and irrelevant cost. 7

(B) Bhoomi Ltd. has just been incorporated and plans to produce a product that will sell for 10 per unit. The expected demand would be around 10,000 units per year. The Company has the choice of buying one of the two machines, each of which has a capacity of 10,000 units per year. Other expected data:

	Machine P	Machine Q
Fixed cost	₹ 30,000	₹ 18,000
Profit	₹ 30,000	₹ 22,000
Sale	10,000 units	10,000 units

Find out the sales level (units) where both machines are equally profitable. 7

Q.4

(A) Explain just in time approach and its benefits. 7

(B) Explain the methods of establishment of Target Cost in brief. 7

OR

Q.4

(A) What are the benefits of Product Life Cycle Costing? 7

(B) What are the pre-requisites for successful operation of MRP system? 7

Q.5 Select the appropriate alternative: **(Attempt any Seven out of given)** 14

(1) _____ approach ensures zero inventory.

- (a) Just-in-time
- (b) Life cycle costing
- (c) Target costing
- (d) ABC analysis

(2) Profitability of a product is decided on the basis of _____ when labour is a limiting factor.

- (a) Contribution per unit
- (b) Contribution per hour

P.T.O

- (c) Contribution per kg
(d) Net profit per unit
- (3)** Which of the following is not characteristic of relevant cost?
 (a) It is future cost
 (b) It is cash out flow
 (c) It is historical cost
 (d) None of these
- (4)** What is derived by using the following formula?

$$\frac{\text{Fixed Expenses} + \text{Profit}}{\text{P.V. Ratio}}$$

 (a) Break-even point
 (b) Margin of safety
 (c) Total sales
 (d) None of the above
- (5)** For manufacturing products X and Y by a machine, requires 6 hours and 12 hours per unit respectively. If, there are only 4,800 hours available, which of the following is constraint?
 (a) $6X + 12Y = 4,800$
 (b) $6X + 12Y \geq 4,800$
 (c) $6X + 12Y \leq 4,800$
 (d) $6X - 12Y \leq 4,800$
- (6)** _____ differentiates costs into fixed costs and variable costs.
 (a) Differential costing
 (b) Absorption costing
 (c) Marginal costing
 (d) Profit volume ratio
- (7)** In which method fixed costs of production is considered for valuation of closing stock?
 (a) Marginal costing
 (b) Absorption costing
 (c) Relevant costing
 (d) All of the above
- (8)** Budgeted output minus break-even output gives us the:
 (a) Budgeted profit
 (b) Maximum profit solution
 (c) Contribution

(d) Margin of safety

(9) The idea about target costing originated in

- (a) Japan
- (b) UK (England)
- (c) USA
- (d) India

(10) A firm makes a single product. A budget has been prepared for the year ahead and include production and sales of 30,000 units with a break-even point of 22,500 units. What is the margin of safety ratio?

- (a) 33%
- (b) 25%
- (c) 75%
- (d) 100%

(11) Information of ABC Limited is as under:

Profit ₹60,000

Fixed expenses ₹90,000

Margin of safety ₹1,50,000

Profit-volume ratio (P/V Ratio) will be _____

- (a) 30%
- (b) 40%
- (c) 20%
- (d) 25%

(12) Each product has to face stages of product life cycle.

- (a) This is correct statement
- (b) This is incorrect statement
- (c) This is partially correct statement
- (d) This is irrelevant statement

—X—

