

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

CC 17

Cost Accounting-II

April 2022

[Max. Marks : 50**Time : 2-00 Hours]****SECTION: I****(Attempt any TWO questions out of given questions from section I)****Q.1****(A)** Rahi limited provides you the following information:

| | 2019-2020 | 2020-2021 |
|------------|-----------|-----------|
| Sales (₹) | 80,000 | 1,20,000 |
| Profit (₹) | 28,800 | 52,800 |

You are required to calculate the following:

- (1) The P/V ratio, fixed cost, break-even point and margin of safety.
- (2) The amount of profit / loss when sales for the year are ₹2,40,000.
- (3) The amount of sales required to earn a profit of ₹1,20,000.
- (4) The amount of sales required to earn a profit of 10% on sales.

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(B) Shan Ltd. has production capacity of 1,50,000 units per year. Normal capacity utilization is reckoned as 60%. standard variables 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 cost are ₹1,35,000 per year. The unit selling price is ₹20. In the year just ended on 31st March, 2022, the production was 80,000 units and sales were 75,000 units. The closing inventory on 31st March, 2022 was 10,000 units. The actual variable production costs for the year were ₹17,500 higher than the standard. Calculate the profit for the year by the absorption costing method.

10**Q.2**

Nisha Ltd. produces three products A, B and C using same type of raw material and labour. Details about the production are as follows:

| Particulars | A | B | C |
|--|-------|-------|-------|
| Production capacity (units) | 4,000 | 5,000 | 3,000 |
| Selling price per unit (₹) | 125 | 100 | 150 |
| P/V Ratio | 20% | 25% | 30% |
| Raw material cost per unit in total variable costs (₹) | 45 | 60 | 90 |
| Labour hours required per unit | 5 | 4 | 6 |

The further details are given below:

- (a) The annual fixed overheads are ₹1,70,000.
- (b) Raw material price per kg. is ₹3.

Determine the optimum production mix and find out the estimated profit in each of the following situations:

- (1) When the raw material is a key factor and the maximum available raw materials are 2,10,000 kgs. per annum.
- (2) When the labour hour is a key factor and the maximum available labour hours are 40,000 hours per annum.

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Q.3

(A) Mr. Prakash has ₹8,00,000 investments in his business firm. He wants a 10 percent return on his money. From an analysis of recent cost figures, he finds that his variable cost of operating is 60 percent of sales, his fixed costs are ₹1,60,000/- per year, Show computations to answer the following questions:

- (1) What sales volume must be obtained to break-even?
- (2) What sales volume must be obtained to get 10 percent return on investment?
- (3) Mr. Prakash estimates that even if he closed the doors of his business, he would incur ₹60,000 per year. At what sales would he be better off by locking this business up.

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(B) Roshni Ltd. manufactures three products. Following information is collected for this.

| | Product | | |
|------------------------|---------|------|------|
| | P | Q | R |
| Sales mix (In value) | 40% | 35% | 25% |
| Selling price | ₹ 20 | ₹ 25 | ₹ 30 |
| Variable cost per unit | ₹ 10 | ₹ 15 | ₹ 18 |

| | |
|-------------------|------------|
| Total fixed costs | ₹4,00,000 |
| Total sales | ₹12,00,000 |

The company proposes to replace product R by product S. manufactured cost and output data are:

| | Product | | |
|------------------------|---------|------|------|
| | P | Q | S |
| Sales mix (In value) | 50% | 30% | 20% |
| Selling price | ₹ 20 | ₹ 25 | ₹ 20 |
| Variable cost per unit | ₹ 10 | ₹ 15 | ₹ 14 |

No change is estimated for fixed costs and sales. Do you think that the replacement decision is advisable? Explain your answer.

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Q.4

(A) Explain difference between "Traditional Approach" and "Just in Time Approach". **10**

(B) Explain the meaning and importance of "Product Life Cycle Costing." **10**

SECTION: II

Q.5 Select the appropriate alternative:

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(1) _____ is the important factor in Linear Programming.

- (a) Constraints
- (b) Cost
- (c) Contribution
- (d) All of these
- (d) None of the above

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- (2) _____ approach ensures zero inventory.
- (a) Just-in-time
 - (b) Life cycle costing
 - (c) Target costing
 - (d) ABC analysis
- (3) Target costing is linking factors like
- (a) Profit planning
 - (b) Market survey
 - (c) Value analysis
 - (d) All of the above
- (4) Profitability of a product is decided on the basis of _____ when labour is a limiting factor.
- (a) Contribution per unit
 - (b) Contribution per hour
 - (c) Contribution per kg
 - (d) Net profit per unit
- (5) 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
- (6) 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
- (7) For manufacturing products X and Y by a machine, requires 3 hours and 6 hours per unit respectively. If, there are only 2400 hours available, which of the following is constraint?
- (a) $3X + 6Y = 2400$
 - (b) $3X + 6Y \geq 2400$
 - (c) $3X + 6Y \leq 2400$
 - (d) None of these

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(8) In break-even analysis we assume:

- (a) Non-linear relationship
- (b) Diminishing returns to the variable factors of production
- (c) Non-proportional relationships
- (d) Linear relationships

(9) A firm makes a single product. A budget has been prepared for the year ahead and include production and sales of 60.000 units with a break-even point of 45000 units. What is the margin of safety ratio?

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

(10) 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
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