



QP CODE: 26019526



26019526

Reg No :

Name :

M.Com DEGREE (CSS) EXAMINATION MARCH 2026

Fourth Semester

Core Courses - CM010401 - ADVANCED COST AND MANAGEMENT ACCOUNTING

M.COM FINANCE AND TAXATION (SF), M.COM MARKETING AND INTERNATIONAL BUSINESS (SF), M.COM MANAGEMENT AND INFORMATION TECHNOLOGY (SF)

2019 Admission Onwards

13413C8F

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

Answer any **eight** questions.

Weight 1 each.

- Write a short note on Cost Drivers.
- A company manufactures and sells packaging machines. The company recently introduced activity - based costing to refine its existing system. Each packaging machine requires direct materials costing Rs. 80,000; 90 equipment parts; 31 machine hours; 17 assembly line hours and 15 inspection hours. The details about the cost pools, allocation basis and allocation rate are given below:

Indirect Cost Pool	Cost allocation Basis	Budgeted Allocation rate
Material handling	No. of component parts	Rs. 10 per part
Machining	Machine hours	Rs. 75 per machine hour
Assembly	Assembly line hours	Rs. 90 per assembly hours
Inspection	Inspection hours	Rs. 125 per inspection hour

The company has received an order for 50 can -packaging machines from a customer. Using activity - based costing, what will be the indirect costs allocated to the order of the customer.

- Write a short note on Activity Based Budgeting.
- The following data is given:
Fixed Cost = 12,000
Selling Price = Rs 12 per unit
Variable Cost = Rs 9 per unit.
 - What will be the profit when sales are a) Rs. 60,000, b) Rs 1,00,000
 - What will be the amount of sales if it is desired to earn a profit of a) Rs 6,000, b) Rs 15,000.
- What is break even point?
- A company has fixed expense of Rs 90,000 with sales at Rs 3,00,000 and a profit of Rs 60,000. Calculate the P/V ratio. If in the next period the company suffered a loss of Rs 30,000, calculate the sales volume.





7. What do you mean by incremental pricing?
8. How can the study of variances be helpful in practising the principle of management by exception?
9. What is material yield variance?
10. Write a short note on dual rate transfer pricing system.

(8×1=8 weightage)

Part B (Short Essay/Problems)

Answer any **six** questions.

Weight 2 each.

11. Explain various categories of customer costs under Activity Based Cost Management.
12. A company producing 3 products A,B and C for which the standard costs and Quantities per unit are as follows

Particulars	A	B	C
Quantity Produced			
Direct Material /unit (Rs)	10,000	20,000	30,000
Direct Labour /unit (Rs)	50	40	30
Labour hours /unit	30	40	50
Machine hours/unit	3	4	5
No of purchase requisitions	4	4	7
No of set ups	1200	1800	2000

Production Overhead split by departments

Department 1 = Rs.11,00,000

Department 2 = Rs.15,00,000

Department 1 is Labour Intensive department and Department 2 is Machine Intensive

Total Labour hours in Department 1 = 1,83,333

Total Labour hours in Department 2 = 5,00,000

Production Overhead Split by Activity :

Receiving and Inspecting Rs.14,00,000

Machine set ups Rs.12,00,000

Total Rs. 26,00,000

Number of Batches Received and Inspected = 5000

Number Of Batcheds for set ups = 800

You are required to prepare product cost statement under traditional absorption costing and Activity Based Costing Method

13. Fixed Cost: Rs 5,000, Variable Cost: RS 10per unit, Selling Price Rs.20 per unit, Sales Volume =1,000 units.Draw break even charts and show the effect of the following:
 1. 10% decrease in fixed cost
 2. 10% decrease in variable cost
 3. 10% increase in selling price
 4. 10% increase in sales volume





14. Allied manufacturing company gives you the following information,

	Product A	Product B
Fixed Overheads:Rs. 10,000 p.a		
Direct material per unit	20	25
Direct labour per unit	10	15
Variable OH	100% of direct labour	100% of direct labour
Selling price per unit	60	100

You are required to present a statement showing the marginal cost of each product and recommend which of the following sales mix should be adopted.

15. Explain the factors affecting the pricing policy.
16. In what circumstances can penetration pricing policy be adopted ?
17. The standard and actual data for the product A is given as under. Calculate (i) Labour Cost Variance (ii) Labour Rate Variance and (iii) Labour Efficiency Variance. Standard hours 40@ Rs. 20 per hrs and Actual hours 45@ Rs. 22 per hrs.

18.

	Division A	Division B
	Rs. per unit	Rs. per unit
Variable cost	10	15
Transfer price at market value	—	20
Fixed costs	5	10
Profit	5	25
Transfer price/selling price	20	70

Division A can sell externally at Rs.20 per unit or transfer internally to Division B at Rs.20 per unit.

Division B receives an offer from a customer of Rs. 30 per unit for its final product.

Requirements

1. Would Division B accept the offer of Rs. 30 per unit given the existing transfer price?
2. Is this the correct decision from the company's point of view
3. Division A has surplus capacity?
4. Division A is operating at full capacity?

Give proper explanations.

(6×2=12 weightage)

Part C (Essay Type Questions)

Answer any **two** questions.

Weight 5 each.

19. RST Bank is examining the profitability of its Premier Account,a combined Savings & Cheque account. Depositors receive a 7% annual interest on their average deposit. RST Bank earns an interest rate spread of 3% (the difference between rate at which it lends money and rate it pays to depositors) by lending money for home loan purpose at 10%. The Premier Account allows depositors unlimited use of services such as deposits, withdrawals, cheque facility, and foreign currency drafts. Depositors with Premier Account balances of Rs.50,000 or more receive unlimited free use of services. Depositors with





minimum balance of less than Rs.50,000 pay Rs.1,000-a-month service fee for their Premier Account. RST Bank recently conducted an activity-based costing study of its services. The use of services in 2020-2021 by three customers is as follows:

	Activity Based	Account Usage		
	Cost per transaction	Customer X	Customer Y	Customer Z
Deposits/withdrawal with teller	Rs.125	40	50	5
Deposits/withdrawal with ATM	Rs. 40	10	20	16
Deposits/withdrawal on prearranged monthly basis	Rs.25	0	12	60
Bank Cheques written	Rs.400	9	3	2
Foreign Currency drafts	Rs. 600	4	1	6
Inquiries about account balance	Rs.75	10	18	9
Average Premier Account Balance for 2020-21		Rs.55,000	Rs. 40,000	Rs. 12,50,000

Assume Customer X and Z always maintain a balance above Rs. 50,000, whereas Customer Y always has a balance below Rs.50,000.

1. Compute the 2020-2021 profitability of the customers X, Y and Z Premier Account at RST Bank.
 2. What evidence is there of cross-subsidization among the three Premier accounts? Why might RST Bank worry about this cross-subsidization, if the Premier Account product offering is profitable as whole?
 3. What changes would recommend for RST Bank's Premier Account?
20. Explain the applications of marginal costing.
21. Standard Chemical Company Ltd. produces a certain chemical. The standard material cost being:
 40% material X at Rs. 45 per Kg.
 60% material Y at Rs. 120 per Kg.
 A standard loss of 10% is expected in production.
 During January 200 Kg of material X and Y were mixed. 84 Kg material X at Rs. 46 per Kg. and 116 Kg material Y at Rs. 118 per Kg and produced 182 Kg of chemical.
 Calculate the following variance for the month:
 i) Material Cost Variance, ii) Material Usage Variance, iii) Material Yield Variance
22. A manufacturer of corn flakes have two divisions, one producing the corn flakes and another pakaging division manufacturing the cartons. The production division purchases all cartons from the packaging division. Cost of cartons from outside vendors would be:

Number of Cartons	Rs.
5,000	77,000
8,000	95,000

Production cost incurred by the packaging division for similar volume of cartons:

Number of Cartons	Rs.
5,000	75,000
8,000	80,000





The production and sale of the final product, cornflakes are as below,

Volume (No. of cartons of cornflakes sold)	Total Cost (Excluding cost of cartons)	Sales Value (Packed in cartons)
5,000	1,20,000	2,00,000
8,000	1,80,000	3,00,000

An appropriate transfer pricing policy is being framed. As the corporate management accountant, Calculate,

1. Transfer pricing based on (1) shared profit relative to cost method and (2) market method.
2. Discuss the effect of both the methods on the profitability of the divisions.

(2×5=10 weightage)

