II Semester M.Com. (F.A.) Examination, June/July 2018
(Semester Scheme) (CBCS)
Paper – 2.5 : STRATEGIC COST AND MANAGEMENT ACCOUNTING

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any seven** questions. **Each** question carries **two** marks. **(7×2=14)**

1. a) Define cost pool.

 b) What are differential costs ?

 c) What is Budgetary Control ?

 d) What is marginal costing ?

 e) Mention any two advantages of JIT.

 f) What is VED analysis ?

 g) What is target costing ?

 h) Which type of organizations adopt trans for pricing policy ?

 i) What is life cycle costing ?

 j) What are sunk costs ?

SECTION – B

Answer **any four** questions. **Each** question carries **5** marks. **(4×5=20)**

2. Explain the differences between management accounting and cost accounting.

3. Explain briefly product life cycle.

4. XYZ Ltd. sells ice cream in a variety of flavours. The following are the date available (relating to one week).

Revenue 5000 cones @ Rs. 5 each		Rs. 25,000
Cost of ingredients		
R. Materials	Rs. 4,000	
Salary of attendant	Rs. 6,000	
Rent	Rs. 7,000	Rs. 17,000
Profit before tax		Rs. 8,000

The manager estimates that if the selling price per cone is to be increased from Rs. 5 to Rs. 5.18 each, weekly volume would be cut to 4250 cones due to competition.

You are required to estimate the profit maximising price per cone.

5. Bring out the differences between cost control and cost reduction.

6. From the following particulars determine the Economic Order Quantity (EOQ) and the total annual inventory cost.

Annual demand	2400 units
Unit price	Rs. 2.40
Ordering cost per order	Rs. 4.00
Storage cost	2%
Rate of interest	10%
Lead time	½ month

7. Explain the various steps involved in effective TQM.

SECTION – C

Answer **any 3** questions. **Each** question carries **twelve** marks. **(3×12=36)**

8. Explain the benefits of transfer pricing policy in MNCs. (Multi National Companies).

9. ABC Ltd. has furnished the following details :

Direct materials	Rs. 10.00 per unit.
Direct wages	Rs. 4.00 per unit.
Variable overheads	Rs. 1.00 per unit
Fixed factory overheads	Rs. 5,50,000
Fixed selling and distribution overheads	Rs. 3,00,000

Annual sales – 4,00,000 units.

Capital employed in fixed assets – Rs. 10,00,000.

Capital employed in current assets – 50% of sales.

Determine the selling price per unit to yield 20% return on capital.

10. The following particulars relate to ABC Ltd. which is engaged in the manufacture of electronic components.

	March	April
Sales (unit)	50,000	1,00,000
Production (units)	1,00,000	50,000
Selling price per unit Rs.	1,000	1,000
Variable production cost per unit Rs.	500	500
Fixed production overheads Rs.	10,00,000	10,00,000
Fixed production overheads cost per unit being the pre-determined overhead absorption rate Rs.	10	12
Selling and distribution and administration (cost) rate Rs.	5,00,000	5,00,000

Prepare comparative profit statements for each month using

a) Absorption costing and

b) Variable costing.

11. What is value chain analysis ? Explain the managerial benefits of the same.

12. Explain in detail the role of cost accounting in strategic planning.