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Register Number:

DATE:

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**B.COM - VI SEMESTER**

**SEMESTER EXAMINATION: APRIL 2022**

**(Examination conducted in July-August 2022)**

**BC DEA 6618 - Accounting for Managerial Decisions**

**Time- 2 1/2 hrs Max Marks-70**

**This paper contains four printed pages and four parts**

**SECTION-A**

**Answer any FIVE of the following questions. Each question carries two marks. (5x2=10)**

1. What is a Cost Driver?
2. Give the meaning of Standard Cost.
3. What is Throughput?
4. What is Sunk Cost?
5. Differentiate between Activity-Based Costing and Traditional costing
6. State any two advantages of Target Costing.

**SECTION- B**

**Answer any THREE of the following questions. Each question carries five marks.(3x5=15)**

1. The Standard and actual figures of a firm are as under:

Standard time for the job- 1000 hours

Standard rate per hour- Rs.0.50

Actual Time taken- 900 hours

Actual wages paid- Rs.360

Compute Labour Cost variance, Labour Efficiency variance & Labour rate Variance.

1. XYZ Ltd. manufactures auto parts. The following costs are incurred for processing 1,00,000 units of a component.

Direct material cost -Rs.5 Lakhs.

Direct labour cost -Rs. 8 lakhs.

Variable factory overhead- Rs. 6 lakhs.

Fixed factory overhead -Rs. 5 lakhs.

The purchase price of the component is Rs.22. The fixed overhead would continue to be incurred even when the component is bought from outside although there would be reduction to the extent of Rs.2,00,000.

Should the part be made or bought? Considering that the present facility when released following a buying decision would remain idle.

1. Organizations are constantly trying to find ways to become more efficient and reduce costs. However, once manufacturing firms design a product and begin production, it is difficult to make significant changes that will reduce costs. How can target costing help with this issue?
2. Briefly discuss the problems with published financial statements.

**SECTION -C**

**Answer any TWO of the following questions. Each question carries fifteen marks. (2x15=30)**

1. Trinity Limited makes three main products, using broadly the same production methods and equipment for each. A conventional product costing system is used at present, although an Activity Based Costing (ABC) system is being considered. Details of the three products, for typical period are:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **Labour Hours per unit** | **Machine Hours per unit** | **Material Per unit** | **Volumes Units** |
| Product X | ½ | 1 ½ | Rs.20 | 750 |
| Product Y | 1 ½ | 1 | Rs.12 | 1250 |
| Product Z | 1 | 3 | Rs.25 | 7000 |

Direct labour costs Rs. 6 per hour and production overheads are absorbed on machine hour basis. The rate for the period is Rs.28 per machine hour.

Further analysis shows that the total of production overheads are Rs.6,54,500 and can be divided as follows:

|  |  |
| --- | --- |
| **Particulars** | **Percentage (%)** |
| Costs relating to set-ups | 35 |
| Costs relating to machinery | 20 |
| Costs relating to materials handling | 15 |
| Costs relating to inspection | 30 |
| **Total production overhead** | **100%** |

The following activity volumes are associated with the product line for the period as a whole.

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Number of Set-ups** | **Number of movements of materials** | **Number of Inspections** |
| Product X | 75 | 12 | 150 |
| Product Y | 115 | 21 | 180 |
| Product Z | 480 | 87 | 670 |
| **Total** | **670** | **120** | **1,000** |

**You are required:**

(a) To calculate the cost per unit for each product using traditional method. (5 marks)

b) To calculate the cost per unit for each product using ABC principles (10 marks)

1. Trio company manufactures three products M,N & O, the details of which are shown below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **M** | **N** | **O** |
| Selling price per unit | Rs.360 | Rs.330 | Rs.390 |
| Direct material cost per unit | Rs.180 | Rs.210 | Rs.255 |
| Variable Overhead | Rs.90 | Rs.60 | Rs.45 |
| Maximum demand ( units) | 30000 | 25000 | 40000 |
| Time required on the bottleneck resource (hours per unit) | 10 | 8 | 6 |

There are 6, 40,000 bottleneck hours available each month.

a) Calculate the optimum product mix based on the throughput concept (8 marks)

b) Discuss the steps to deal with Bottlenecks using Throughput Accounting. (7 marks)

1. The Dynamic company has three divisions. Each of which makes a different product. The budgeted data for the coming year are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | A (Rs) | B (Rs) | C (Rs) |
| **Sales**  | **1,12,000** | **56,000** |  **84,000** |
| Direct Material | 14,000 | 7,000 | 14,000 |
| Direct Labour | 5,600 | 7,000 | 22,400 |
| Direct Expenses | 14,000 | 7,000 | 28,000 |
| Fixed Cost | 28,000 | 14,000 | 28,000 |
| Total | 61,600 | 35,000 | 92,400 |

The Management is considering to close down the division ‘C’. There is no possibility of reducing fixed cost. Advise whether or not division ‘C’ should be closed down.

**SECTION -D**

1. **Answer the following compulsory question. The question carries fifteen marks. (1x15=15)**

The standard mix to produce one unit of product is as follows:

Material X 60 units @ Rs.15 per unit = 900

Material Y 80 units @ Rs.20 per unit =1,600

Material Z 100 units@ Rs.25 per unit =2,500

During the month of April, 10 units were actually produced and consumption was as follows:

Material X 640 units @ Rs.17.50 per unit = 11,200

Material Y 950 units @ Rs.18 per unit =17,100

Material Z 870 units@ Rs.27.50 per unit =23,925

Calculate:

1. Material Cost Variance(MCV)
2. Material Price Variance (MPV)
3. Material Usage Variance (MUV)
4. Material Mix Variance (MMV)

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