

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

**B.COM - IV SEMESTER**

**SEMESTER EXAMINATION: April 2023**

**(Examination Conducted in May 2023)**

**BCDEA 6618 Accounting for Managerial Decisions**

**Time – 2 ½ hrs Max Marks- 70**

**This paper contains 3 (Three) printed pages and four parts**

**(For Current batch students only)**

**SECTION A**

**Answer any Five (5) of the following (5 \* 2 Marks = 10 Marks)**

1. Define cost per driver.
2. How to set standard cost for a product?
3. The selling price of a Product is **Rs 1,000 per unit**

Expected sales are **1,000 units**.

Product requires a return of 40% on the investment of Rs 10,00,000. What is the target cost for each unit of a Product?

1. What is theory of constraints?
2. What are sunk cost and opportunity cost?
3. Calculate Parent ‘company A’ interest in ‘Company C’

Company A invested in Company B = 70%

Company B invested in Company C = 70%

Is the Company C is an associate or Subsidiary for Company A?

**SECTION B**

**Answer any THREE (3) of the following (3 \* 5 Marks = 15 Marks)**

1. What are the benefits of Activity based costing method?
2. AMC company produces a Product 'BN' and sell in the market for Rs 60

The profit margin is 20% of sales price

The product takes

Direct material Rs 25 per unit

Each unit require 0.25 hours per Direct labour hour. Labour is paid Rs 40 per hour.

Production overheads of Rs 80 per labour hour

**Calculate target cost and cost gap**

1. Explain the benefits of Relevant costing. (unit 3)
2. Explain the uses of published financial statements. (unit 5)

**SECTION C**

**Answer any TWO (2) of the following (2 \* 15 Marks = 30 Marks)**

* 1. Discuss the four stages of activity based costing with an example.(10 marks)
  2. Discuss the purpose of Activity Based costing ( 5 marks)

| 1. Following information extracted from Company A. Company A produces facial tissues and the standard requirements and actual were as follows: | | | |
| --- | --- | --- | --- |
| for 100 tissues (one box) of Facial Tissues, the standard material requirement is | | | |
| **material** | **quantity (Kgs)** | | **Rate per Kg in Rs** |
| A | 80 | | 60 |
| B | 40 | | 40 |
| During April 2023, 10,000 tissues were Produced, the actual consumption of material is as under | | | |
| **material** | **quantity (Kgs)** | **Rate per Kg in Rs** | |
| A | 7,500 | 70 | |
| B | 5,000 | 50 | |
| **calculate** |  |  | |
| Material cost variance | | standard cost of material - actual cost of material | |
| material price variance | | Actual cost (Standard rate - Actual rate) | |
| Material usage variance | | Standard price ( standard usage - actual usage) | |

1. Explain the importance of target cost method. **( 5 Marks)**
2. Cat Co makes a product using three machines – X, Y and Z. The capacity of each machine is as follows: Machine X Y Z

Capacity per week 1,600 1,200 1,000

Since Z can produce only 1,000 units per week

The demand for the product is 2,000 units per week. For every additional unit sold per week, net present value increases by $ 50,000. Cat Co is considering the following possible purchases (they are not mutually exclusive):

**Purchase 1**

Replace machine X with a newer model. This will increase capacity to 2,200 units per week and costs $6 m.

**Purchase 2**

Invest in a second machine Y, increasing capacity by 1,100 units per week. The cost of this machine would be $6.8m.

**Purchase 3**

Upgrade machine Z at a cost of $7.5m, thereby increasing capacity to 2,100 units.

**(10 Marks)**

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**SECTION D**

**Compulsory Question (15 Marks)**

1. Vinak Ltd has furnished you the following information for the months of August 2020

|  | **Budget** | **Actual** |
| --- | --- | --- |
| Output in units | 60,000 | 65,000 |
| Hours | 60,000 | 66,000 |
| Fixed overhead | Rs 90,000 | Rs 50,000 |
| Variable overhead | Rs 1,20,000 | RS 1,36,000 |
| Working days | 25 | 26 |

**Calculate and explain:**

1. Total overhead cost variance
2. Variable overhead variance
3. Fixed overhead variance
4. Expenditure variance
5. Volume variance
6. Capacity variance
7. Calendar variance
8. Efficiency variance

**Formulas**

| **Total overhead cost variance** | |
| --- | --- |
| Actual output x standard rate - actual overhead cost | |
| **Fixed overhead variance** |  |
| Actual output x standard fixed overhead rate - actual fixed overhead | |
| **Expenditure variance** |  |
| Budgeted fixed overheads - actual fixed overheads | |
| **Volume variance** |  |
| Actual output x standard fixed overhead rate - budgeted fixed overheads | |
| **Capacity variance** |  |
| Standard fixed overhead rate(revised budgeted output - budgeted output) | |
| **Calendar variance** |  |
| Increase or decrease in production due to less or more working days at the rate of budgeted capacity x standard rate per unit | |
| **Efficiency variance** |  |
| Standard fixed overhead rate(actual production - standard production) | |
| **Variable overhead variance** |  |
| Actual output x standard variable overhead rate - actual variable overhead | |

**--- End of the question paper ---**