

Vidya Vikas Mandal's
Shree Damodar College of Commerce & Economics, Margao-Goa
TY B.Com, Semester-VI(OC-66), Semester End Examination, June 2022
Cost & Management Accounting (DSE8)
Advanced Management Accounting

Duration: 2hrs

Max Marks: 80**Instructions:**

- 1) Start each question on fresh page.
- 2) Figures to the right indicate maximum marks.
- 3) Q.No.1 is compulsory
- 4) Answer any three from Q.No.2 to Q.No.6

1. Following are the information given by an owner of Navyog Hotel. You are required to advise him what rent should be charged from the customers per day, so that he is able to earn 25% on cost other than interest: **(20 marks)**

Managerial staff salaries	1,80,000 p.a.
Repairs to building	10,000 p.a.
Cost of building	4,00,000
Rate of depreciation	5% p.a.

Room attendant's salary 2 per day. The salary is paid on daily basis and services of room attendants are needed only when the room is occupied. There is one room for one attendant.

Lighting, heating and power charges: The normal lighting expenses for a room if it is occupied for the whole month is Rs. 50 per room. Power is used in winter only and normal charges are Rs. 20 p.m. for a room, if room is occupied.

Equipments	1,00,000
Rate of depreciation	10%
Internal decoration	20,000 p.a.

Interest @ 5% may be charged on its investment of 5,00,000 in the building and equipment.

Linen	14,800 p.a.
Sundries	16,600 p.a.

There are 100 rooms in the hotel and 80% of the rooms are normally occupied in summer and 30% of the rooms are occupied in winter. You may assume that period of summer and winter is six months each. Normal days in a month may be assumed to be 30.

2. Kunde Industries Ltd operating at 75% level of activity produces and sells two types of products X and Y. the cost sheet of these two products are as under: (20 marks)

	Product X	Product Y
Units produced and sold	3,000	2,000
Direct materials	10	20
Direct Labours	20	20
Factory overheads (40% fixed)	25	15
Administrative overheads (60% fixed)	40	25
Total cost per unit	<u>95</u>	<u>80</u>
Selling price per unit	115	95

Factory overheads are absorbed on the basis of machine hour which is limiting factor. The machine hour rate is 10 per hour.

The company receives an offer from Japan for the purchase of product X at a price of Rs. 87.50 per unit. Alternatively, the company has another offer from Thailand for the purchase of product Y at a price of Rs. 77.50 per unit. In both the cases a special packing charge of Rs. 2.50 per unit has to be borne by the company. The company can accept either two of the export orders by utilising the balance of 25% of the capacity.

Advise the company which proposal to be accepted and prepare a statement of overall profitability of the company.

- 3.A. The following cost data pertaining to the year 2016-2017 are collected from the books of Surya Power Company Limited. Prepare an operating cost sheet showing the cost of generation of power per unit of Kwh. (10 marks)

Total units generated 15,00,000 units

Operating labour 16,500

Plant supervision 5,250

Lubricants & supplies 10,500

Repairs and maintenance 21,000

Administrative overheads 9,000

Capital cost 1,50,000

Coal consumed per kwh. For the year is 1.5 lbs. and cost of coal delivered to the power station is 33.06 per metric tonne. Considering cost per tonne is 2204.62 lbs. Depreciation rate chargeable is 4% per annum and interest on capital is to be taken as at 7%.

3.B. The cost sheet of a product is given as under:

(10 marks)

Direct material		5
Direct wages		3
Factory overheads		
Fixed	0.50	
Variable	0.50	1
Administrative expenses		
Selling & Distribution		
Fixed	0.25	
Variable	0.50	0.75
		10.50

The selling price per unit is Rs. 12.

The above figures are for an output of 50,000 units, the capacity for the firm is 65,000 units. A foreign customer is desirous of buying 15,000 units at a price of Rs. 10 per unit. Advise the manufacturer whether the order should be accepted. What will be your advice if the order were from a local merchant?

4.A. Alpha Ltd has decided to analyze the profitability of its 5 new customers. It buys bottled water at Rs 90 per case and sells to retail customers at a list price of Rs. 108 per case. The data pertaining to 5 customers are:

(10 marks)

Particulars	A	B	C	D	E
Cases sold	4680	19688	136800	71550	8775
List selling price	Rs. 108	Rs. 108	Rs. 108	Rs. 108	Rs. 108
Actual selling price	Rs. 108	Rs. 106.20	Rs. 99	Rs. 104.40	Rs. 97.20
Number of Purchase orders	15	25	30	25	30
No. of customers visits	2	3	6	2	3
No. Of deliveries	10	30	60	40	20
Kilometers travelled per delivery	20	6	5	10	30
No. of expedited deliveries	0	0	0	0	1

Its five activities and their cost drivers are:

Activity	Cost Driver rate
Order taking	Rs. 750 per purchase order
Customer visits	Rs. 600 per customer visits
Deliveries	Rs. 5.75 per delivery Kilometers travelled
Product handling	Rs. 3.75 per case sold
Expedited deliveries	Rs. 2250 per Expedited delivery

Required:

1. Compute the customer level operating income of each 5 retail customers and comment on the results.

4.B. Explain the tools of Strategic Cost Management. (10 marks)

5.A. Explain the advantages of Marginal costing. (10 marks)

5.B. Explain the features of Service Costing. (10 marks)

Write short notes on: (answer any 4) (20 marks)

- Make or buy decision
- Limitations of marginal costing
- Collection of costing data in service sector
- Activity Based Costing
- Environmental Management Accounting
- Types of service Costing