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T.Y.B.Com Semester VI (CBCS) Ordinance
EXAMINATION MAY 2023
COST AND MANAGEMENT ACCOUNTING
Advanced Management Accounting

[Time: 2 Hours] **[Max. Marks:80]**

Instructions:
1) Question **1** is compulsory.
2) Answer **ANY THREE** questions from Question **2** to Question **6**.
3) **Each** question carries **20** marks
4) Mention **working notes** wherever necessary.
5) Figures to the **right** indicate **maximum** marks allotted.

Q1 Hotel Sea Breeze has two types of rooms, viz., Deluxe and Mini. You are to suggest what rent should be charged for each type of rooms using the following information: **(20)**

i) The rent of Deluxe type rooms is to be fixed as twice of the Mini type rooms.

ii) There are 20 Deluxe type rooms and 100 Mini type rooms in the hotel.

iii) Normally, 60% of Deluxe type rooms and 90% of Mini type rooms are occupied in summer, & in winter, 20% of Deluxe type rooms and 50% of Mini type rooms are occupied. Actual expenses are as follows:

a) Staff salary: ₹ 6,60,000/- p.a.

b) Room attendants salary (when occupied, in per day)

Room Type	Summer	Winter
Deluxe	12.00	18.00
Mini	6.00	9.00

c) Lighting per month, if occupied for full month for both summer and winter: Deluxe type room ₹240/- and Mini type room ₹120/-.

d) Power per month, if occupied for full month for both summer and winter: Deluxe type room ₹120/- and Mini type room ₹60/-.

e) Repairs and maintenance: ₹ 1,26,000/- p.a.

f) Decoration: ₹ 1,50,000/- p.a.

g) Sundry expenses: ₹ 2,31,220/- p.a.

h) Depreciation on: Building @ 5%; cost of building is 42 lakhs. Furniture @ 10%; cost of furniture is 9 lakhs.

iv) Summer may be assumed for 7 months and winter for 5 months in a year. Normal days in a month may be taken as 30.

v) Profit on cost is 25%.

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Q2 A company has received an export order for its single product that would require the use of half of the factory's total capacity. 1 lakh units per annum can be produced at full capacity. The condition of the export order is that it has to be accepted in full, accepting the order (20) partly is not allowed. **(20)**

The factory is currently operating at 60% level to meet the demand of its domestic customers. The sales price of domestic market is 12.00, and the export order is ₹ 9.40 per unit, which is less than the total cost of current production.

The cost details are as follows:

Direct material	₹ 5.00/- per unit
Direct Labour	₹ 2.00/- per unit
Variable expenses	₹ 1.00/- per unit
Fixed overheads	₹ 2.00/- per unit
Total Cost	₹ 10.00/- per unit

The company has the following alternatives:

A) Accept the export order and cut back domestic sales as required.

B) Remove the capacity limitations by installing necessary equipment and also by working overtime to meet both domestic and export demand. This will increase the fixed overhead by₹20,000/- annually, and additional cost for overtime work will increase to ₹40,000/- for the year.

C) Appoint a sub-contractor to manufacture the additional required units and meet the domestic and export requirement in full by supplying raw materials, paying a conversion charge @ ₹4.00/- per unit and appointing a supervisor at a salary of ₹3,000/- per month for checking the quality of the product and controlling operations at the manufacturing unit

D) Refuse the export order.

Prepare a statement of cost and profit for each of the four alternatives and suggest the management as to which alternative should be chosen.

Q3 **A)** In a purely competitive market, 10000 standalone calculators can be produced and sold and a certain profit is required generated. It is estimated that 2000 standalone calculators need to be manufactured and sold in a monopoly market to earn the same amount of profit. Profits under both the market conditions is targeted at ₹2,50,000/- The variable cost per calculator is ₹125/- and the total fixed cost is ₹50,000/- You are required to find out the selling price per calculator under both, the monopoly and the competitive market conditions. **(10)**

B) From the following information, calculate the cost of generating electricity per unit: **(10)**

- Coal used 1000 tonnes @₹ 40/- per tonne.
- Freight and handling charges 10% of value of the coal used.
- Oil - 10 tonnes @ ₹500/- per tonne.
- Water - 25,000 litres @₹ 2.00/- per 100 litres.

- Depreciation of steam boiler ₹1000/-.
- Salaries and wages of the boiler house: 5 men @ ₹350/- each, 20 coolies @ ₹120/- each.
- Recovery on account of sale of ashes: 100 tonnes @ ₹5 per tonne.
- Salaries and wages of generating stations: 25 men @350/- each; 10 coolies @ ₹120/- each.
- Repairs and maintenance of generating equipment ₹480/-.
- Depreciation on generating equipment @ 10% p.a. cost of generating equipment ₹1,00,000/-.
- Share of administration charges ₹5,420/-.
- Total number of units generated - 1,64,000 units.
- Normal loss in the process - 4,000 units generated.

Q4 A) The following is the data of a product range of a company for the next year budget: **(10)**

Activity	**Cost Driver**	**Cost Driver Volume per year**	**Cost Pool (₹)**
Purchasing	Purchase order	1,500	1,50,000
Setting	Batches produced	2,800	2,24,000
Materials Handling	Material movements	8,000	1,92,000
Inspection	Batches produced	2,800	1,40,000
Machining Costs	Machine Hours	50,000	3,00,000

Manufacturing details of Product XYZ:

Purchase Orders	25
Machine hours	1500 hours
Material Movements per batch	06
Output	15,000 units
Production Batch size	100 units

Calculate the budgeted overhead costs of product XYZ using activity based costing.

B) What is Activity Based Costing? What are the decisions taken using of ABC? **(10)**

Q5 A) What is JIT? Discuss the features and benefits of JIT system. **(10)**

B) What do you understand by quality? Give classification of quality costs. **(10)**

Q6 Write short notes on **ANY FOUR** of the following: **(4x5=20)**

a) Service sector costing.
b) Environmental Management Accounting.
c) Make or buy decisions using marginal costing.
d) Concept of Total Quality Management.
e) Lifecycle costing.
f) Traditional Cost Management v/s Strategic Cost Management.

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