K19P 0317

Reg. No. : ....

Name : ....

II Semester M.Com. Degree (Reg./Suppl./Imp.) Examination, April 2019
(2014 Admission Onwards)
COM2C 08 : COSTING FOR MANAGEMENT DECISIONS

Time : 3 Hours Max. Marks : 60

SECTION – A

Answer **any four** questions. **Each** question carries **1** mark for part **(a)**, **3** marks for Part **(b)** and **5** marks for part **(c)**.

1. a) Define cost accounting.

   b) What are the objectives of cost accounting ?

   c) Distinguish between differential cost analysis and marginal costing.

2. a) What is material cost variance ?

   b) Explain variance analysis. What is the importance of variance analysis in cost control ?

   c) Explain the different kinds of variances and their uses.

3. a) What is break-even point ?

   b) Explain the types of break-even charts used for break-even analysis.

   c) From the following information, calculate the break-even point in units and in sales value :

   Output = 3000 units

   Selling price per unit = Rs. 30

   Variable cost per unit = Rs. 20

   Total fixed cost = Rs. 20,000.

P.T.O.

4. a) What is value analysis ?

b) Explain the basic steps in value analysis.

c) Calculate labour cost variance from the information :

Standard production	:	100 units
Standard Hours	:	500 hours
Wage rate per hour	:	Rs. 2
Actual production	:	85 units
Actual time taken	:	450 hours
Actual wage rate paid	:	Rs. 2.10 per hour

5. a) Define marginal costing.

b) Discuss the use of CVP analysis and its significance of management.

c) "Product design provides the grates scope for cost reduction" Discuss.

6. a) Define decision making.

b) Explain the phases included in managerial decision making process.

c) A manufacturing company finds that while the cost of making a component No. 321 in its workshop is Rs. 8 each, the same is available in the market at Rs. 6.50 with an assurance of continuous supply. Give your suggestion whether to make or buy this component. Give also your views in case the supplier reduces the price from Rs. 6.50 to Rs. 5.50 the cost data is as follows :

Materials	= Rs. 3
Direct Labour	= Rs. 2
Other Variable Expenses	= Rs. 1
Depreciation and other fixed expenses	= Rs. 2

SECTION – B

Answer **any two** questions, **each** carries **12** marks.

7. a) Company A and company B both under the same management make an sell same type of product. Their budgeted profit and loss accounts for the year ending 2017 are as follows :

	Company A		Company B	
	Rs.	**Rs.**	**Rs.**	**Rs.**
Sales		3,00,000		3,00,000
Less, Variable cost	2,40,000		2,00,000	
Fixed Cost	30,000	2,70,000	70,000	2,70,000
		30,000		30,000

You are required to :

- Calculate the break even points for each company.
- Calculate the sales value at which each of the two companies will make a profit of Rs. 10,000.
- State which company is likely to earn greater profits in conditions of :
  i) Heavy demand for the product
  ii) Low demand for the product

  Give your reason.

OR

b) From the following data relates to one year's working at 100% capacity level in a manufacturing business.

Sales	=	Rs. 10,00,000
Fixed cost	=	Rs. 1,20,000
Variable cost	=	Rs. 2,00,000
Direct wages	=	Rs. 1,50,000
Direct Materials	=	Rs. 4,10,000

Construct a break even chart and explain the terms margin of safety and angle of incidence. Verify your result by calculations.

8. a) What is cost reduction ? Explain the merits of cost reduction. What are the techniques of cost reduction ?

OR

b) Define standard costing and explain its objectives. "Standard costing is used as a cost control technique". Explain.