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2017

ADVANCED COST AND MANAGEMENT ACCOUNTING

Full Marks : 80

Time : Three hours

**The figures in the margin indicate
full marks for the questions.**

1. Select the most appropriate answer from the choices given against each. $1 \times 5 = 5$
 - (i) Which of the following statements is correct in regard to Relevant cost ?
 - (a) All fixed costs are relevant costs.
 - (b) Costs that are common among the alternative projects are relevant.
 - (c) All production costs are relevant in decision making.
 - (d) Relevant cost concept is used to eliminate unnecessary data that could complicate the decision making process.

Contd.

- (ii) State the correct statement in the context of Management Control Process from the options given below :
- (a) It is mechanical.
 - (b) It involves interactions among individuals.
 - (c) It is completely controlled by the top management.
 - (d) Its function is strategy formulation.
- (iii) In which of the following responsibility centres, outputs cannot be measured in monetary terms ?
- (a) Revenue centres
 - (b) Profit centres
 - (c) Investment centres
 - (d) Discretionary Expense centres.
- (iv) Human Asset Multiplier Method was introduced by :
- (a) Giles and Robinson
 - (b) Jaggi and Lau
 - (c) Anthony and Govindarajan
 - (d) Lev and Stephen.

(v) Select the correct statement in regard to Activity Based Costing (ABC) from the following options.

(a) It uses cost centres for accumulating costs.

(b) It is appropriate only for manufacturing firms.

(c) Transaction drivers represent the amount of time required to perform an activity.

(d) It has the potential of eliminating cost distortion.

2. Answer the following questions : **(any three)**

3×5=15

(a) "Fixed costs are variable per unit and variable costs are fixed per unit."

Elucidate the statement with suitable example.

(b) Write a lucid note on Management Control activities.

(c) What is meant by 'Environmental Accounting'? Discuss its importance in the present context of industrialisation.

(d) 'Management audit is independent of financial audit'. Explain.

3. Answer the following: (*any three*)

(a) Explain the objectives and importance of Value Analysis. 4+4

(b) Explain *any two* methods of Human Resource Accounting. 8

(c) Explain the various types of Responsibility centres highlighting the basis for their creation. 8

(d) Discuss the application of computer in management accounting purposes. 8

4. Answer as directed:

(a) "An ideal budget is one that is challenging but attainable".

In the light of the above statement, explain the behavioural aspects of budget. 12

Or

Give a critical account of the status of cost audit in India. 12

(b) What is a decision-making situation ?
Explain the factors that you will consider while making decision in the following situations :

(i) Make or buy situation

(ii) Continue or Shut-down situation.

2+5+5

Or

Consider the following data supplied by a company.

Particulars	Product A	Product B
Sales (Rs)	100	120
Material Cost (Rs)	10	15
Direct Wages (Rs)	15	10
Direct Expenses (Rs)	5	6
Fixed Overhead (Rs)	5	10
Variable overhead (Rs)	15	20
Machine hours used (hrs)	3	2
Consumption of materials (kgs)	2	3
Direct Wages per hour (Rs)	5	5

You are required to

(i) comment on the profitability of each product when :

(a) Total Sales Potential in units is limited

(b) Raw material is in short supply.

(ii) Assuming raw material is the key factor, the availability of which is 10,000 kgs, and the maximum sales potential is 3,500 units, find out the most profitable product mix.

$$3+3+6=12$$

(c) Royal Enterprise is manufacturing two items $\rightarrow x$ and y . They furnish the following information for a year.

Products	Annual Output (units)	Total Machine hours	Total no. of Purchase Orders	Total no. of setups
x	4,000	20,000	160	20
y	50,000	1,200,000	384	44

The annual overheads are as under :

	Rs.
Volume-related activity costs	5,00,000
Setup-related costs	8,20,000
Purchase related costs	6,00,000

You are required to calculate the cost per unit of each product x and y based on :

(i) Traditional method of charging overheads

(ii) Activity Based Costing Method.

$$4+8=12$$

Or

What are the potential merits of a dual (two-way) Transfer Pricing system ?

What are its limitation ? Mention the general criteria to be considered for determining The Transfer price.

4+4+4=12