



K24P 0876

Reg. No. :

Name :

**Second Semester M.Com. Degree (C. B. S. S. – Supple. (One Time Mercy
Chance)/Imp.) Examination, April 2024
(2014 to 2022 Admissions)**

COM2C08 : COSTING FOR MANAGEMENT DECISIONS

Time : 3 Hours

Max. Marks : 60

SECTION – A

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

1. a) What is ideal standard ?
- b) What are the limitations of financial accounting ?
- c) Assuming that the cost structure and selling price per unit remain the same, you are required to calculate
 - 1) Profit volume ratio ;
 - 2) Fixed cost ;
 - 3) Break-even point ;
 - 4) Variable costs during the two periods ;
 - 5) Margin of safety at a profit of ₹ 24,000.

Period	Sales (₹)	Profit (₹)
I	2,70,000	6,000
II	3,00,000	15,000

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2. a) Give three assumptions of Break-even Chart.
- b) What is key factor ? How does this factor affect the decision about the profitability of a product ?
- c) The standard cost of a chemical mixture is as under ;
 40 tons of material X @ ₹ 45 per ton
 60 tons of material Y @ ₹ 30 per ton
 Standard yield is 90% of input
 Actual cost for a period is as follows ;
 45 tons of material X @ ₹ 40 per ton
 55 tons of material Y @ ₹ 34 per ton
 Actual yield is 91 tons
 Calculate material yield variance.

3. a) Distinguish between differential costing and marginal costing.
- b) Explain the areas of cost reduction.
- c) A company has a capacity of producing 1,00,000 units of certain product in a month. The sales department reports that the following schedule of sale price is possible;

Volume of production	Selling price per unit (₹)
60%	0.90
70%	0.90
80%	0.75
90%	0.67
100%	0.61

The variable cost of manufacture between these levels is ₹ 0.15 per unit and fixed cost ₹ 40,000. At which volume of production will be the profit be maximum ?



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4. a) What is P/V Ratio ?
- b) What are the main objectives of cost accounting ?
- c) A manufacturing company finds that while the cost of making a component part is ₹ 10, the same is available in the market at ₹ 9 with an assurance of continuous supply. Give your suggestions whether to make or buy this part. Give also your views in case the supplier reduces the price from ₹ 9 to ₹ 8. The cost of information is as follows :
 Materials – ₹ 3.50; Direct labour – ₹ 4.00; Other variable expenses – ₹ 1.00; Fixed expenses – ₹ 1.50.
5. a) What do you mean by value analysis in cost reduction programme ?
- b) What is Profit Volume Graph ? Explain the limitations of P/V Graph.
- c) State the main techniques of cost control.
6. a) What is material variance ?
- b) What are the advantages of standard costing ?
- c) What are the merits of value analysis ? (4×9=36)

SECTION – B

Answer the **two** questions in this Section. **Each** question carries **12** marks.

7. a) What is Marginal costing ? What are the important applications of marginal costing ?
- OR
- b) What are the practical difficulties in installation of costing system ? What suggestions can you put forth to overcome the practical difficulties ?

8. a) From the following data, calculate overhead variances :

	Budgeted	Actual
Overheads	₹ 3,75,000	₹ 3,77,500
Output per man hour in units	2	1.9
Number of working days	25	27
Man hours per day	5,000	5,500

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- b) A company is at present working at 90% of its capacity and producing 13,500 units per annum. It operates a flexible budgetary control system. Following figures are obtained from its budget :

	90%	100%
	₹	₹
Sales	15,00,000	16,00,000
Fixed expenses	3,00,500	3,00,500
Semi-fixed expenses	97,500	1,00,500
Variable expenses	1,45,000	1,49,500
Units made	13,500	15,000

Labour and material cost per unit are constant under present conditions. Profit margin is 10 percent.

- a) You are required to determine the differential cost of producing 1,500 units by increasing capacity to 100 percent.
- b) What would you recommend for an export price for these 1,500 units taking into account that overseas prices are much lower than indigenous prices. (2×12=24)