



GOA UNIVERSITY

B.Com Semester VI (CBCS)

Cost and Management Accounting – Advanced Management Accounting
Paper Code: UCOD130

[Time: 2:00 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 Paradise Hotels Ltd. runs a holiday home in Dehradun. It has two types of rooms: Deluxe and Premium. The rent of a Premium room is twice the rent of a Deluxe room. You are required to calculate the rent to be charged for each type of room on the basis of the following information: **20**

Type of Room	Number of Rooms	Occupancy Percentage	
		Summer	Winter
Deluxe rooms	90	90%	50%
Premium rooms	40	60%	20%

Actual expenses are as follows:

- a) Staff salary: ₹2,20,000 per annum.
- b) Room attendants' salary (when occupied):

Room Type	Summer	Winter
Deluxe rooms	₹2 per day	₹3 per day
Premium rooms	₹4 per day	₹6 per day

- c) Lighting per month if occupied for the full month for both summer and winter:
Deluxe room: ₹40 and Premium room: ₹80.
- d) Repairs and maintenance: ₹42,000 per annum.
- e) Decoration: ₹50,000 per annum.
- f) Sundry expenses: ₹56,550 per annum.
- g) Depreciation on: - Building @ 5%; Cost of building is ₹14 lakhs.
- Furniture @ 10%; Cost of furniture is ₹3 lakhs.
- h) Summer may be assumed to be for 7 months and winter for 5 months a year.
- i) Normal days in a month may be taken as 30. The Profit is 20% of the total rent charged.

Q2 Kootchar Ltd. currently working at 80% capacity level has the following particulars:

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Particulars	₹
Sales	48,00,000
Direct materials	15,00,000
Direct labour	6,00,000
Variable overheads	3,00,000
Fixed overheads	19,00,000

An export order has been received that would utilize half (50%) of the capacity of the factory. The order cannot be split i.e. it is to be taken in full and executed at 10% below the normal domestic price or rejected totally. The company is considering the following options:

- (a) reject the export order and carry on with the domestic sales; OR
 (b) accept the export order, split the capacity between overseas and domestic sales and turn away excess domestic demand; OR
 (c) increase capacity so as to accept the export order and maintain the present domestic sales by buying additional equipment that will result in an increase of ₹1,50,000 in fixed costs and additional cost for overtime work will increase by 75%.
 Prepare a statement of cost and profit for each of the three alternatives and suggest the best course of action for the company.

Q3 A) From the following data, find out the cost per unit of electricity generated during the month of April 2024.

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- Fuel: Coal at the beginning of the month 500 tonnes
 Supply during the month 1,100 tonnes
 Balance at the end of the month 400 tonnes
 Annual contract for supply of coal for Colliery at ₹10 per tonne.
 Add 10% to cover freight and handling charges.
- Oil: 10 tonnes at ₹250 per tonne.
- Water: 50,000 litres. Pumping charges at ₹30 paise per 100 litres.
- Depreciation of steam boiler: Capital value ₹ 24,000 and the rate of depreciation 12.5% p.a.
- Salaries and wages of the boiler house: 40 Coolies at ₹ 20 each per month
- Recovery on account of sale of ash: 100 tonnes at ₹1 per tonne
- Salaries and wages of the generating station: 50 Men at ₹100 each per month.
- Repairs and maintenance of the generating equipment ₹ 2,600.
- Number of units generated 1,46,000.
- Loss in process: 2,000 units.

B) A ball pen manufacturer has developed a new ball pen with unique features. His design development executive has suggested three possible retail prices for each model of the ball pen: ₹ 15 for the Superstar model, ₹ 10 for the Deluxe model, and ₹ 7.50 for the Economy model. His marketing manager says that the wholesalers and retailers have to be given at least 30% discount. The estimated fixed cost would be around ₹ 70,000 and variable cost per unit would be ₹ 3.50.

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- (a) Calculate the break-even point in units for each model of the ball pen.
 (b) How much should the manufacturer sell to earn a profit of ₹ 21,000 model-wise?

Q4 **A)** Statusline & Co. is a manufacturer of white goods. Cost structure of its two products is as follows: **10**

	Product P	Product Q
Production volume	25,000 units	35,000 units
Direct Material	₹25 per unit	₹20 per unit
Direct Labour @ ₹5 per hour	₹15 per unit	₹20 per unit

Details of overheads according to the identified activities are as follows:

Activity	Overheads (₹)	Cost Driver Level	
		Product P	Product Q
Inspection	4,47,000	1,350 production runs	1,650 production runs
Material Handling	1,05,000	330 orders	420 orders
Machine Setups	6,00,000	585 setups	615 setups

Calculate the product-wise total cost of production using the Activity Based Costing (ABC) method to allocate the overheads.

B) Discuss any five tools of Strategic Cost Management. **10**

Q5 **A)** Elaborate on the classification of quality costs. **10**

B) What is JIT? Explain the features and benefits of JIT. **10**

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

- a) Merits of Activity Based Costing.
- b) Concept of Environment Management Accounting.
- c) Features of the service sector.
- d) Kaizen Costing
- e) Types of decisions using Marginal Costing. (Any two)
- f) Characteristics of modern business environment.