

GOVERNMENT COLLEGE OF COMMERCE AND ECONOMICS, BORDA, MARGAO – GOA

B.COM SEMESTER VI (CBCS) END EXAMINATION, AUGUST 2020

Subject: Cost and Management Accounting (DSE 8)  
Advanced Management Accounting

Max Marks: 30  
Duration: Two Hours

[As per the GU OS-1, COVID-19 Pandemic]

- Instructions: i. Answer any five from Q. 1 in 50-60 words.  
ii. Answer any four from Q.2 in 400-450 words.  
iii. Figures to the right indicate full marks.  
vi. Working notes should be the part of the answers.

**Q. 1 Answer any five from the following:**

**(2x5=10 Marks)**

- A) Explain two points of difference between contribution and profit.
- B) Explain any two features of service sector.
- C) What are the steps for development and implementation of Activity Based Costing System?
- D) Explain any two impacts of developments in business environment on management accounting.
- E) Explain classification of quality costs (Any two points).
- F) What are the techniques used in implementation of Just in Time.
- G) Explain any two features of hotel costing.
- H) What is marginal costing? Explain any two areas where it can be used by the management.

**Q. 2 Answer any four from the following:**

A) Hushdough limited is manufacturing three types of chocolates: Blueberry, Vanilla, Butterscotch. All the products use the same raw material which is scarce and available to the extent of 61,000 kg. only. The following information is available from records of the company.

Particulars	Blueberry	Vanilla	Butterscotch
Selling Price Per chocolate	100	140	90
Variable cost per chocolate	75	110	65
Raw material requirement per chocolate (kg.)	5	8	6
Market demand (units)	5,000	3,000	4,000

Fixed costs are Rs. 1,50,000. Advise the company about the most profitable product mix. Compute the amount of profit resulting from such product mix.

**(5 Marks)**

B) Hotel Blue Ocean has three category of accommodation: Single room suite, Double Room Suite and Triple room suite. There are 200 single room suites, 60 double room suites and 40 triple room suites. For this hotel, normally 80% of single room suites, 60% of double room suites and 50% of triple room suites are occupied during summer. During winter, 50% of single room suites, 40% of double room suites and 20% of triple room suites are occupied. Summer may be assumed for 8 months and winter for 4 months duration. Normal days in a month may be taken as 30.

The room attendants are paid Rs. 8 per day per single room suite, Rs. 12 per day per double room suite and Rs. 16 per day per triple room suite in summer season. During winter, Rs. 12 per day per single room suite, Rs. 18 ;per day per double room suite and Rs. 24 per day per triple room suite.

Calculate (i) The room days for Hotel Blue Ocean and (ii) Room attendant's salaries. **(5 Marks)**

C) Bella Limited provides the following data for its two activities. It calculates activity cost rates based on cost driver capacity.

Activity	Cost Driver	Capacity	Cost
Power	Kilowatt hours	50,000 kilowatt hours	2,00,000
Quality Inspections	No. Of inspections	10,000	3,00,000

The company makes three products: Dress, Shirt, Pants. During the year, the consumption of cost drivers was reported as follows:

Product	Kilowatt Hours	Quality inspections
Dress	10,000	3,500
Shirt	20,000	2,500
Pants	15,000	3,000

You are required to compute the costs allocated to each product from each activity. Also calculate the cost of unused capacity for each activity. **(5 Marks)**

D) A stationery manufacturing company present the following information for the year ended 31 March 2019.

Particulars	Amt (Rs.)
Material cost	1,20,000
Labour cost	2,40,000
Fixed Overheads	1,20,000
Variable Overheads	60,000
Units Produced	12,000
Selling Price Per Unit	50

The available capacity is a production of 20,000 units per year. The firm has an offer for the purchase of 5,000 additional units at a price of Rs. 40 per unit. It is expected that by accepting this offer there will be a saving of rupee one per unit in material cost on all units manufactured, the fixed overhead will increase by Rs. 35,000 and the overall efficiency will drop by 2% on all products. State whether the offer is acceptable or not. **(5 Marks)**

E) What is Strategic Cost Management? Explain four points of difference between Traditional V/S Strategic Cost Management. **(5 Marks)**

F) Explain any two tools of strategic cost management with the help of two advantages and two disadvantages each. **(5 Marks)**