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14 (COM-III) 3-14A N/O

2016

**ADVANCED COST AND MANAGEMENT  
ACCOUNTING**

Paper : 3-14A (New)  
3-13A (Old)

Full Marks : 80

Time : Three hours

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

1. Answer the following : 1×5=5
- (a) 'Engineered costs are uncontrollable'  
—Comment on this statement.
- (b) What is the meaning of 'Budget key  
Factor' ?

*Contd.*

- (c) 'Costs which have been created by a decision that was made in the past and cannot be changed by any future decision, are known as \_\_\_\_\_.

Select the correct answer from the following :

- (i) Period costs
  - (ii) Discretionary costs
  - (iii) Unexpired costs
  - (iv) Sunk costs.
- (d) Which of the following aspects fall in the scope of Human Resource Accounting ?
- (i) Employee Welfare
  - (ii) Recruitment of new employee
  - (iii) Valuation of H.R.
  - (iv) Accounting for labour wages
- (e) Write the meaning of 'efficiency' and 'effectiveness' in the context of management control system.

2. Give answer to the following questions. 3×5=15

(a) "Conforming to a budget is not necessarily good and departure from a budget is not necessarily bad". Elaborate the statement.

(b) Explain the contribution of the following cost concept in managerial decision making

- (i) Marginal cost concept
- (ii) Opportunity cost concept.

(c) Y Co. Ltd. is experiencing difficulties in selling its products due to recession. The annual loss is Rs. 2,00,000.

The management intends to suspend the operation for a period of one year. In that case, it is estimated that :

- (i) Fixed cost could be reduced to Rs. 1,20,000 per annum.
- (ii) Employee retrenchment cost would amount to Rs. 50,000.
- (iii) Maintenance of plant would amount to Rs. 20,000 per annum.

- (iv) Reopening cost after shutdown would be Rs. 50,000.

Prepare a report to the directors whether it would be advisable to suspend the operation in the current year.

3. Answer the following :

(a) Write a critical note on *either* :

- (i) Activity based costing, or  
(ii) Management Audit, highlighting its application in Indian context. 8

(b) (i) What is Value Analysis ? List out its advantages. 1+3

(ii) Distinguish between Cost Reduction and cost control. 4

(c) Write a critical note on the organisation of management Information System in a large business house. 8

**Or**

Critically examine the managerial utility of (i) Performance Budget and (ii) Zero-based Budget. 4+4

4. Answer the following :

(a) Write critical notes on : *(any two)* 6+6

- (i) Life cycle costing  
(ii) Activity based costing  
(iii) Management Audit

(b) SK Ltd. furnishes the following information relating to production of three items :

A, B and C.

	A	B	C
Material per unit (kgs)	20	12	30
Machine hours per unit	3	5	4
Selling price per unit (Rs)	250	200	400
Maximum Possible Sales (units)	1,500	1,000	750

Maximum available machine hours for production of all three items is 9,200 hours. Machine hour cost per hour is Rs. 10.00.

Maximum available raw materials 50,000 kgs. Cost of raw material per kg is Rs. 10.

You are required to determine the Product-Mix to give the highest attainable profit. 12

Rs 30,000 of fixed cost and Rs. 175,000 of assets can be avoided. The manager of division  $x$  would have no control over the proceeds from the sale of the asset and is judged primarily on his rate of return. The firms existing assets are of Rs 8 lakh.

- (a) Should the manager of division  $x$  transfer its product at Rs 18 to division  $y$  ?
- (b) What is the lowest price that the division  $x$  should accept ? Support your decision with detailed calculations.  $8+4=12$