It is estimated that fixed expenses will remain constant at all capacities. Semi-variable expenses will not change between 45% and 60% capacity, will rise by 10% between 60% and 75% capacity, a further increase of 5% when capacity crosses 75%.

Estimated sales at various levels of capacity are as follows :

60% capacity	Sales Rs. 11,00,000
70% capacity	Sales Rs. 13,00,000
90% capacity	Sales Rs. 15,00,000

(c) What do you mean by break-even analysis ? Mention the assumptions that are considered in marginal costing. Distinguish between marginal costing and absorption costing. 3+4+7=14

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63/1 (SEM–5) DSE2/COMHE 5226

2023

COMMERCE

Paper : COMHE 5226

(Group–B)

(Cost and Management Accounting)

Full Marks : 80

Pass Marks : 32

Time : Three hours

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

1. Choose the correct option of the following : ***(any six)*** 1×6=6

   (a) Which of the following is not a primary function of management accounting ?

   (a) Presentation of accounting data

   (b) Decision making

   (c) Performance evaluation

   (d) Cost control

(b) What is the key advantage of using a flexible budget in performance evaluation ?

(a) It provides a single static benchmark for comparison

(b) It adjusts for changes in activity levels, making comparisons more meaningful

(c) It is easy to prepare and requires minimal effort

(d) It ignores actual results and focuses solely on budgeted figures

(c) What is the main purpose of standard costing in cost and management accounting ?

(a) To determine the actual costs of production

(b) To establish a benchmark for evaluating performance

(c) To calculate the cost of goods sold

(d) To estimate future production costs

(d) Marginal costing is also known as

(a) variable costing

(b) absorption costing

(c) activity-based costing

(d) fixed costing

(e) In decision making, relevant costs are

(a) past costs

(b) sunk costs

(c) future costs

(d) average costs

(f) Which of the following contemporary issues is related to sustainability and social responsibility in management accounting ?

(a) Cyber security

(b) Environmental accounting

(c) Block chain technology

(d) Big data analytics

(g) Standard costing is the technique of

(a) planning business activity

(b) cost control

(c) staffing

(d) motivating

(h) The difference between standard cost and actual cost is known as

(a) profit

(b) loss

(c) standard cost

(d) variance

(i) Which of the terms given below will help an organisation in decision making ?

(a) Total cost

(b) Fixed cost

(c) Opportunity cost

(d) Marginal cost

(j) Another name of fixed cost in marginal costing is

(a) product cost

(b) period cost

(c) total cost

(d) All of the above

2. Answer following questions : ***(any five)*** 2×5=10

(a) Write the importance of cost accounting.

(b) Explain the concept of zero based budgeting.

(c) Why standard cost is calculated in cost accounting ?

(d) Explain the formula of PV ratio.

(e) Define the term 'transfer pricing'.

(f) What is margin of safety ?

(g) What do you mean by cost centre ?

3. Answer the following questions : ***(any six)*** 5×6=30

(a) Explain in detail how production planning helps in cost reduction.

(b) Define budgetary control and explain its significance in management accounting.

(c) What is the primary purpose of a standard costing system in manufacturing industries ? Provide an example of a standard cost element. 4+1=5

(d) Explain the concept of marginal costing. How does it differ from absorption costing ? 3+2=5

(e) In a decision, to accept or reject a special order, what are the relevant costs that should be considered ? Provide an example.

(f) Define responsibility accounting. How does it help in decentralized organisations ? 2+3=5

(g) Detail information of Udalguri Ltd. are as under :

Sales	Rs. 2,00,000
Profit	Rs. 20,000
Variable cost	70%

you are required to calculate the following :

(i) P/V ratio

(ii) Fixed cost

(iii) Sales volume to earn profit of Rs. 80,000

(h) Differentiate between cost accounting and management accounting.

(i) Distinguish between flexible budget and fixed budget.

(j) Write down *any five* advantages of standard costing.

4. Answer ***any two*** of the following questions : 10×2=20

(a) Analyze the concept of transfer pricing in multinational corporations. Discuss various methods of transfer pricing and their implications.

(b) What is the role of marginal costing in pricing decisions ? Discuss the relevance of marginal cost in a competitive market.

(c) What is management accounting ? Distinguish between cost control and cost reduction. 2+8=10

(d) From the information given below, calculate —

(i) Material cost variance

(ii) Material price variance

(iii) Material usage variance

Products	Standard Quantity (Units)	Standard Price (Rs.)	Actual Quantity (Units)	Actual Price (Rs.)
A	1050	2.00	1100	3.25
B	1500	3.25	1400	3.50
C	2100	3.50	2000	3.75

5. Answer ***any one*** of the following questions : 14

(a) Consider a scenario in which a company is faced with the decision to either 'make or buy' a key component of its product. Discuss the relevant cost analysis and other factors that would influence the decision. Present your recommendations with justifications.

(b) The following information at 50% capacity is given below, prepare a flexible budget and forecast the profit or loss at 60%, 70% and 90% capacity.

	Expenses at 50% capacity
Fixed Expenses :	
Salaries	Rs. 50,000
Rent and Taxes	Rs. 40,000
Depreciation	Rs. 60,000
Administrative Expenses	Rs. 70,000
Variable Expenses :	
Materials	Rs. 2,00,000
Labour	Rs. 2,50,000
Others	Rs. 40,000
Semi-variable Expenses :	
Repairs	Rs. 1,00,000
Indirect Labour	Rs. 1,50,000
Others	Rs. 90,000

Contd.