



MCA-03/25

2025

(4th Semester)

COMMERCE

Course No. : MCA-03

(Advanced Cost and Management Accounting)

Full Marks: 70

Time: 3 hours

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

Answer **all** questions

- 1 (a) If opportunity cost is not an out-of-pocket expense, then why it is considered as a relevant cost while evaluating alternative courses of action? Justify your answer. (6)
- 1 (b) P Ltd., is at present operating at 80% capacity level, the production being 15,000 units per annum. The company operates a flexible budgetary control system. The following relevant cost data are obtained from the company's budget at different capacity utilisation levels:

	Capacity Utilisation Level	
	80%	100%
Sales	₹ 20,00,000	₹ 25,00,000
Variable overheads	₹ 2,25,000	₹ 2,50,000
Semi-variable overheads	₹ 1,05,000	₹ 1,11,000
Fixed overheads	₹ 4,00,000	₹ 4,70,000
Output (in units)	15,000	18,750

Material and labour cost per unit are constant under present conditions. The management expects a profit margin of 10% on sales.

You are required to compute the differential cost of producing the additional 3,750 units by increasing the capacity utilisation level to 100% and the minimum price per unit at 10% profit on cost. (8)

Or

- 1 (c) Quality Product Ltd. has drawn up the following budget for the year 2025-26.

Particulars	Amount (₹)
Raw materials	20,00,000
Labour, stores, power and other variable costs	6,00,000
Fixed manufacturing overheads	7,00,000

Variable selling and distribution cost	4,00,000
Fixed selling and distribution overheads	<u>3,00,000</u>
Total cost	40,00,000
Sales revenue @ ₹ 50 per unit	50,00,000
Budgeted profit	10,00,000

The General Manager suggests to reduce selling prices by 5% and expects to achieve an additional volume of 50%. The more intensive manufacturing programme will involve additional costs of ₹ 50,000 for manufacturing overheads. It will also be necessary to open an additional sales office at the cost of ₹ 1,00,000 per annum.

The Sales Manager, on the other hand, suggests to increase selling price by 10% which it is estimated will reduce sales volume by 10%. At the same time a saving in manufacturing overheads and selling and distribution overheads of ₹ 50,000 and ₹ 1,00,000 per annum respectively is expected on this reduced volume.

Suggests which of these two proposals should be accepted and why? (14)

2 (a) Under what circumstances, the profit under absorption costing is same as the profit under marginal costing? Discuss with suitable examples. (7)

2 (b) Prepare Income statement under Absorption costing technique from the following information relating to the year 2024-25.

Opening stock	1000 units valued at ₹70,000 including variable cost of ₹ 50 per unit
Fixed cost	₹ 1,20,000
Variable cost	₹ 60 per unit
Production	10,000 units
Sales	7000 units @ ₹ 100 per unit
Stock is valued on the basis of FIFO	(7)

Or

2 (c) The following is the standard cost data per unit of product "Flex" manufactured by Gama Ltd.

Particulars	Per unit value (₹)
Selling price	40
Direct material	8
Direct labour	5
Variable production overheads	2
Fixed production overheads (Based on a budgeted normal output of 36,000 units per annum)	5
Variable selling overheads	6
Fixed selling expenses were ₹ 1,20,000 per annum	

During a particular month, the company produced 2000 units of the product and sold 1500 units. There was no opening stock.

You are required to prepare income statement under

- (i) Absorption costing method
- (ii) Marginal costing method

Also, explain the reasons for difference in profits.

Assume the expenses to be uniform over the months.

(6+6+2 = 14)

- 3 (a) How management control systems help in achieving the goals of an organisation? How are risk and profitability related? Discuss with suitable examples.

(8+6 = 14)

Or

- 3 (b) "An organisation devoid of rules will struggle to ensure management control." Discuss in the context of the statement the influence of formal system on management control. Do you think strategy formulation precedes strategic planning? Justify your answer.

(8+6 = 14)

- 4 (a) Why Management Information System has become important for an organisation? Discuss. Elaborate the key elements of MIS. Discuss in detail the steps involved in the installation of an MIS within an organisation.

(5+4+5 = 14)

Or

- 4 (b) State the meaning of 'Reports'. What conditions must be fulfilled to consider a report to be a good report?

(4+10 = 14)

- 5 (a) Differentiate between cost control and cost reduction. Discuss the benefits of cost reduction initiatives undertaken by an organisation.

(7+7 = 14)

Or

- 5 (b) "Cost audit ensures adherence to cost accounting plans". Discuss in the context of the sentence the objectives of cost audit? Do you believe the cost audit results should be included in the annual reports of the organisation? Justify your answer. How does cost audit benefits the management?

(5+4+5 = 14)

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