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Bachelor of Commerce 4th Semester

1059

COST MANAGEMENT

Paper : BCM-404

Time Allowed : Three Hours] [Maximum Marks : 80

Note :— Attempt any **four** questions from Section A and **two** questions each from Sections B and C.

SECTION—A (5 marks each)

1. What is Uniform Costing ?
2. Write short note on formulas of Material Variance.
3. Compute the economic batch quantity for a company using batch costing with the following information :

Annual demand for the parts 4,000 units

Setting up cost Rs. 100

Cost of manufacture : One unit Rs. 200

Rate of interest per annum 10%

4. Input 3,800 units, Output 3,000 units,

Closing Work-in-Progress 800 units

	Degree of Completion	Process Cost
Material	80%	7,280
Labour	70%	10,680
Overhead	70%	7,120

Find out equivalent production assuming that there is no opening work-in-progress and process loss.

5. You are required to calculate :

(a) Margin of safety

(b) Sales

Fixed Cost Rs. 12,000

Profit Rs. 1,000

Break Even Sales Rs. 60,000.

6. From the following particulars, prepare a Production Budget of a company for the year ended June 30, 2014 :

Product	Sales (Unit)	Estimated 1-7-13	Stock (Unit) 30-6-14
A	1,50,000	14,000	15,000
B	1,00,000	5,000	14,500
C	70,000	8,000	8,000

SECTION—B (15 marks each)

7. How would you distinguish Job Costing, Batch Costing and Process Costing ? Explain normal loss, abnormal loss and abnormal gain.
8. Explain the meaning of Cost Management and importance of Cost Management alongwith its need in effective cost reduction and cost control.
9. Following is a summary of Expenditure on Job No. 31 to Dec. 31, 2016 :

	Rs.
Direct wages	6,900
Direct materials	34,000
Store issued	3,800
Store returned	550
Sub contract costs	6,300
Plant	12,000

You obtain the following information :

- (i) The job was begun during 2016 and the contract price Rs. 60,000.
- (ii) The architects had certified that four fifths of the contract had been completed at Dec. 15th.

(iii) Depreciation of plant up to Dec. 15th is Rs. 4,800.

(iv) The summary set above includes items relating to the period since Dec. 15th is as follows :

	Rs.
Wages	700
Material used	1,620

(v) Material on site at Dec. 31st had cost Rs. 5,000 and store on site had cost Rs. 400.

(vi) Establishment charges are 40% on direct wages.

(vii) A fine of Rs. 1,000 is likely to be imposed for Late completion.

You are required in respect of Job No. 31 :

(a) To prepare Job No. 31 Account.

(b) To show what Profit or Loss has arisen on the work certified.

10. In the course of manufacture of main product 'P' by-products 'A' and 'B' also emerge. The Joint Expenses of manufacture amount to Rs. 1,19,550. All three products are

processed further after separation and sold as per details given :

	Main Product	By-Products	
	P	A	B
Sales	Rs. 90,000	Rs. 60,000	Rs. 40,000
Cost incurred after separation	Rs. 6,000	Rs. 5,000	Rs. 4,000
Profit as percentage on Sales %	25	20	15

Total Fixed Expenses are 10% of total cost of sales which are apportioned to the three products in the ratio of 20 : 40 : 40.

- Prepare a statement showing the apportionment of joint cost to the main product and two by-products.
- If the by-product 'A' is not subjected to further processing and is sold at the point of separation for which there is a market at Rs. 58,500. Without incurring any selling expenses, would you advise its disposal at this stage ?

SECTION—C (15 marks each)

11. Define and explain briefly what do you understand by the following :

- (i) Cash Budget
- (ii) Zero Base Budgeting
- (iii) Key factor or limiting factor.

12. Discuss the main features of Standard Costing. Distinguish between Budgetary Control and Standard Costing.

13. A Co. estimates variable costs to be Rs. 5 per unit and fixed cost to be Rs. 2,50,000 per year. Plant is set at 2,25,000 units per year. It is estimated that 1,00,000 units can be sold at price of Rs. 10, 1,25,000 units @ Rs. 9 and 2,00,000 units @ Rs. 8. You are required to find the price which will yield greatest net profits.

At what price would the sales of 2,25,000 units yield the same profit that is realised on the sale of 2,00,000 units @ Rs. 8.

14. S.V. Ltd. manufactures a simple product, the standard mix of which is :

Material A 60% at Rs. 20 per kg.

Material B 40% at Rs. 10 per kg.

Normal loss in production is 20% of input. Due to shortage of Material A, the standard mix was changed. Actual results for March, 2016 were :

Material A	105 kgs at Rs. 20 per kg.
Material B	95 kgs at Rs. 9 per kg.
Input	200 kgs
Loss	35 kgs
Output	165 kgs.

Calculate :

- (i) Material cost variance
- (ii) Material price variance
- (iii) Material usage variance
- (iv) Material mix variance
- (v) Material yield variance.