(i) Printed Pages: 4 Roll No. ....

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Bachelor of Commerce 4th Semester

1048

COST MANAGEMENT

Paper—BCM-404

Time Allowed : Three Hours] [Maximum Marks : 80

Note :— There will be *three* Sections A, B and C. Attempt any *four* questions from Section A, each question will be of **5** marks. Attempt any *two* questions each from Sections B and C and each question will be of **15** marks.

SECTION—A

1. Explain the main applications of strategic cost management.
2. What is cost plus contract ? State its advantages.
3. Name five industries in which process costing is used.
4. The fixed cost of operating the plant amounts to Rs. 20,000 and the variable cost is Rs. 80,000. The sale proceeds of the product realize Rs. 1,25,000. The managing director asks the accountant to find out for him the percentage of capacity at which the plant should be operated to earn a profit of Rs. 30,000. Show the calculations also.
5. From the following information, prepare an estimate for job no. 150 :

   Direct material consumed Rs. 1,000

   Wages paid Rs. 2,000

   Factory expenses 60% on wages

   Office expenses 20% on factory cost

   The tender should include a profit of 20% on selling price.
6. Explain the life cycle costing process.

SECTION—B

7. Following information is supplied by Atul Construction Co. related to a contract of Rs. 5,00,000 :

Particulars	2009 (Rs.)	2010 (Rs.)
Material Issued	1,50,000	42,000
Wages Paid	1,15,000	52,500
Direct Expenses	11,000	5,000
Indirect Expenses	3,000	1,700
Work Certified	3,75,000	5,00,000
Work Not Certified	4,000	—
Material at Site	2,500	4,000
Cash Received	3,00,000	5,00,000
Plant Issued	7,000	1,000

Prepare Contract A/c for 2009 and 2010.

8. A factory is engaged in the production of chemical 'X' and in the course of its manufacture a by-product 'Y' is produced which after a separate process has a commercial value. For the month of Jan, 1998 the following are the data :

	Joint Expenses (Rs.)	Separate Expenses X (Rs.)	Separate Expenses Y (Rs.)
Materials	19,200	7,360	780
Labour	11,700	7,680	2,642
Overheads	3,450	1,500	544

The output for the month was 142 tons of 'X' and 49 tons of 'Y' and the selling price of 'Y' averaged Rs. 280 per ton. Assuming that the profit on 'Y' is estimated at 50% of the selling price, prepare the necessary accounts showing the cost per ton of X.

9. What is Target Costing ? Discuss the stages involved in target costing.

10. Explain the concept of activity based costing. How does ABC system support corporate strategy ?

SECTION—C

11. The sales and profits of ABC Co. Ltd. for the two years are as follows :

Year	Sales (Rs.)	Profit (Rs.)
I	2,24,000	18,000
II	2,80,000	26,000

Calculate :

(i) P/V Ratio

(ii) Fixed Cost

(iii) Variable Cost

(iv) Break-even Point

(v) Margin of Safety

(vi) Margin of Safety when Sales are Rs. 3,60,000

(vii) Sales required for a profit of Rs. 30,000

(viii) Profit at a Sale of Rs. 2,50,000.

12. Prepare a cash budget for the three months ending 30th June 2017 from the information given below :

(a)

Month	Sales	Materials	Wages	Overheads
February	14,000	9,600	3,000	1,700
March	15,000	9,000	3,000	1,900
April	16,000	9,200	3,200	2,000
May	17,000	10,000	3,600	2,200
June	18,000	10,400	4,000	2,300

(b) Credit terms are :

Sales/debtors — 105 sales are on cash, 505 of the credit sales are collected next month and the balance in the following month :

Creditors : Materials 2 months; Wages 1/4 month; Overheads ½ month.

(c) Cash and bank balance on 1st April 2017 is expected to be Rs. 6,000

(d) Other relevant information is as follows :

(i) Plant & Machinery will be installed in February, 2017 at a cost of Rs. 96,000. The monthly installment of Rs. 2,000 is payable from April onwards.

(ii) Dividend @ 5% on preference share capital of Rs. 2,00,000 will be paid on 1st June.

(iii) Advance to be received for sale of vehicles Rs. 9,000 in June.

(iv) Dividends from investments amounting to Rs. 1,000/- are expected to be received in June.

(v) Income tax (advance) to be paid in June is Rs. 2,000.

13. (a) Differentiate between standard costing and budgetary control.

(b) Explain reasons for material variances.

14. Discuss how differential cost analysis is helpful in decision making.