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Bachelor of Commerce 4th Semester Examination

1047

COST MANAGEMENT

Paper : BCM-404

Time : 3 Hours] **[Max. Marks : 80**

Section–A

Note :– Students are required to attempt *four* parts from this Section. Each part carries **5** marks.

1. Make a comparison between Standard Costing and Budgetary Control.

2. Explain Uniform Costing.

3. A company has the capacity of making 30,000 units per annum. Prepare a statement to show incremental revenue and differential cost using following information.

Items	Output up to 15,000 unit (Rs.)	Output up to 25,000 unit (Rs.)	Output up to 30,000 unit (Rs.)
Fixed cost	15,000	16,000	19,500
Variable cost per unit	3	3	3.05
Sales revenue per unit	3	3.80	3.80

What should be the most profitable level of output ?

4. 50,000 units are produced and sold in domestic market at Rs. 50 per unit. The home market cannot absorb more than 50,000 units in a year but there is an export market for this item @ Rs. 30 per Unit. It is proposed to increase the production and sell the additional quantities in the export market at Rs. 30 per unit. The variable cost works out to be Rs. 25 per unit and the fixed charges amount to Rs. 8,00,000 in a year. Calculate the number of additional units to be made and sold abroad to earn a proit of Rs. 6,00,000 in a year both on domestic and foreign sales together.

5. The selling price of Job 1212 is calculated as follows :

Items	Rs.
Materials	12.08
Direct wages-22 hour @ 25 paisa per hour (Deptt A 10hrs, Deptt B 4hrs, Deptt C 8hrs)	5.50
Prime cost	17.58
Add 1/3 of Prime cost	5.86
Total	23.44

An analysis of the previous year's profit and loss account shows the following :

Items	Deptt A(Rs.)	Deptt B(Rs.)	Deptt C(Rs.)
Direct wages	5,000	6,000	4,000
Factory overheads	2,500	4,000	1,000

Materials used Rs. 77,500 and selling cost Rs. 30,000.

You are required to draw (1) Job cost sheet (2) calculate and enter the revised costs using the previous year's figures as the basis (3) add to the total cost 10% for profit and give the final selling price.

6. Budgeted expenses for 10,000 units is as follow :

	Rs. per unit
Direct materials	60
Direct labour	30
Variable overheads	25
Fixed overheads (Rs. 1,50,000)	15
Variable overheads (Direct)	5
Selling expenses (10% fixed)	15
Administrative expenses (Rs. 50,000 fixed for all levels)	5
Distribution expenses 20% fixed	5
Total cost of sales per unit	160

Prepare a budget for 6,000, 7,000 and 8,000 units showing variable cost, fixed cost and total cost.

Section–B

Note :– Students are required to attempt *two* questions from this Section. Each question carries **15** marks.

7. What is the meaning of cost Management ? Discuss Activity Based Costing as a tool of Cost Management.

8. Define Target Costing. What are its main features ? What are the advantages of this system ?

9. A company manufactures a 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 the month were : Material A 105 kg at Rs. 20 per kg, Meterial B 95 kg at Rs. 9 per kg. Total input 200 kg, loss 35 kg and actual output is 165 kg. Calculate material cost variance, material price variance, material usage variance, material mix variance and material yield variance.

10. A company furnishes you the following information :

Year	Sales (Rs.)	Profit (Rs.)
2015	1,50,000	20,000
2016	1,70,000	25,000

You are required to calculate :

(i) P/V Ratio

(ii) Break-Even Point

(iii) The sales required to earn profit of Rs. 40,000.

(iv) The profit made when sales are Rs. 2,50,000.

(v) Margin of safety at a profit of Rs. 50,000.

(vi) Variable costs of the two periods.

Section–C

Note :– Students are required to attempt *two* questions form this Section. Each question carries **15** marks.

11. A company started working on a contract of Rs. 6,00,000 from 1-1-2015. The expenditure includes :

Items	Rs.
Materials issued form stores	1,50,000
Materials purchased for the contract	40,000
Plant installed at cost	70,000
Wages paid	2,40,000
Site expenses paid	22,000
Establishment expenses	10,000
Site expenses accrued as on 31-12-2015	3,000
Wages accrued as on 31-12-2015	4,000

Out of the plant and materials charged to the contract, plant which cost Rs. 5,000 and materials costing Rs. 4,000 were lost. Some parts of the materials costing Rs. 2,500 were sold at a profit of Rs. 500. On 31-12-2015 plant which cost Rs. 2,000 was returned to stores and plant which cost Rs. 3,000 was transferred to some other contract.

The work certified was Rs. 4,80,000 and 80% of the same was received in cash. The cost of work done but uncertified was Rs. 3,000. Depreciation charged on plant @ 10% p.a. You are required to prepare contract account, contractee's account, work in progress account and balance sheet after transferring to the profit or loss account the portion of profits, if any, you consider reasonable in the books of the contractor as on 31-12-2015.

12. A product is completed in three consecutive processes. During a particular month the input to Process I of the basic raw material was 5,000 units at Rs. 2 per unit. Other information for the month was as follows :

Particulars	Process I	Process II	Process III
Output (Units)	4700	4300	4050
Normal loss as % of input	5	10	5
Scrap value per unit (Rs.)	1	5	6
Direct wages (Rs.)	3,000	5,000	8,000
Direct expenses (Rs.)	9,750	9,910	15,560

Total overhead Rs. 32,000, chargeable to processes as percentage of direct wages.

There are no opening or closing work-in-progress stocks. Compile three process accounts, normal loss account and abnormal loss/gain account.

13. What is the meaning of Budget ? Make a comparison between Fixed and Flexible Budget. What are the advantages of Budgetary Control ?

14. What is Standard Cost and Standard Costing ? What are the advantages and limitations of Standard Costing ?