V Semester B.Com. Examination, November/December 2015
(Freshers + Repeaters) (2014-15 and Onwards)
COMMERCE
5.4 : Cost Management

Time : 3 Hours Max. Marks : 100

Instruction : *Answer should be written* ***completely*** *either in* ***English*** *or in* ***Kannada.***

SECTION – A

Answer **any ten** questions of the following. **Each** sub-question carries **two** marks : **(10×2=20)**

1. a) Name any four methods of costing.
   b) Give the meaning of work uncertified.
   c) What is abnormal process loss ?
   d) What is transport costing ?
   e) Give the meaning of cost driver ?
   f) What is activity based accounting ?
   g) Give the meaning of JIT.
   h) Give the meaning of job costing.
   i) Name any four industries in which process costing is used.
   j) What is retention money ? Why it is retained ?
   k) What is standing charges ?
   l) Explain the term ' by products' with suitable example.

SECTION – B

Answer **any four** questions. **Each** question carries **eight** marks : **(4×8=32)**

2. The following expenses were incurred on Job No. 501
   1) Materials 97,200
   2) Wages paid :

Dept. A	40 hours at ₹ 80 per hour
Dept. B	50 hours at ₹ 90 per hours
Dept. C	60 hours at ₹ 50 per hours

P.T.O.

Works overhead expenses of these departments were estimated as under.
Dept. 'A' ₹ 90,000 for 6000 working hours
Dept. 'B' ₹ 1,00,000 for 5000 working hours
Dept. 'C' ₹ 1,20,000 for 3000 working hours
Office expenses were ₹ 7,50,000 when total direct wages paid in all three departments 25,00,000. It is the practice to recover office expenses as percentage of direct wages. Find cost of Job No. 501 and its price include 20% profit on selling price.

3. The following is the information relating to a contract account.

Contract price	6,00,000
Raw materials	1,20,000
Wages	1,60,000
Sub-contract	5,000
Plant	20,000
Material transport to other contract	2,000
General expenses	7,600

As on 31-3-2015, cash received ₹ 2,40,000 being 80% of work certified. The value of unused materials at site amounted to ₹ 18,000. Plant is to be depreciated at 20%.

Prepare Contract Account.

4. A factory producing article 'X' also yields Y and Z as by-products. The joint cost are

Materials	₹ 1,00,000
Labour	₹ 20,000
Overheads	₹ 80,000
	2,00,000

Selling and distribution costs are ₹ 2,90,000 subsequent costs are :

	X	Y	Z
Materials	15,000	13,000	10,000
Labour	2,000	1,500	1,000
Overheads	8,000	5,500	4,000
	25,000	20,000	15,000
Selling prices	3,00,000	2,40,000	2,00,000
Estimated profit on Selling price	30%	25%	20%

Show how you would propose to apportion the joint cost of manufacture.

5. A Transport Service Company is running 4 buses between two cities which are 60 kms apart. Seating capacity of each bus is 60 passengers, the following particulars were obtained from the books for Sept. 2015.

Wages of drivers, conductors, cleaners	24,000
Diesel and oil	40,000
Salaries of office staff	10,000
Repairs and maintenance	8,000
Taxes and insurance	16,000
Depreciation	26,000
Interest and other charges	20,000

Actual passengers carried were 80% of the seating capacity. All the buses run on all days of the month. Each bus made one round trip per day. Find out the cost per passenger km.

6. What are the advantages of Just-in-time.

SECTION – C

Answer **any three** questions. **Each** carries **sixteen marks** : **(3×16=48)**

7. M/S ABC Contractors Ltd. were engaged on one contract during the year. The contract price was ₹ 40,00,000. The Trial Balance extracted from their books as on 31st March stood as follows :

	Dr. (₹)	Cr. (₹)
Share capital		8,00,000
Sundry creditors		80,000
Land and buildings	3,40,000	
Bank	90,000	
Contract account :		
Materials	7,50,000	
Plant	2,00,000	
Wages	10,50,000	
Expenses	50,000	
Cash received being 80% of work certified	–	16,00,000
	24,80,0000	**24,80,000**

Of the plant and materials charged to the contract, plant costing ₹ 30,000 and materials costing ₹ 24,000 was destroyed by an accident.

On 31st March, plant which cost ₹ 40,000 was returned to the store, the value of materials on site was ₹ 30,000 and the cost of work done but not certified was ₹ 20,000.

Charge 10% depreciation on plant. Prepare Contract Account and Balance Sheet as on 31st March.

8. Product 'X' is obtained after it passes through three district processes. You are required to prepare Process Accounts and other acounts from the following information.

	Process		
	I	II	III
Materials	52,000	39,600	59,240
Direct wages	40,000	60,000	80,000
Normal loss	5%	10%	15%
Value of scrap per unit	40	80	100
Output (actuals)	950	840	750

1000 units at ₹ 60 per unit were introduced in process I. Production overheads of ₹ 1,80,000 are to be distributed as 100% on direct wages.

9. Mr. Raju runs a tempo service in the town and has two vehicles. He furnishes you the following data and wants you to compute the cost per running km.

	Vehicle 'A'	Vehicle 'B'
Cost of vehicle	2,50,000	1,50,000
Road licence per year	7,500	7,500
Supervision and salary (yearly)	18,000	12,000
Driver's wages per hour	40	40
Cost of fuel per litre	30	30
Repairs and maintenance per km	3	4
Tyre cost per km	8	6
Garage rent per year	16,000	5,500
Insurance premium yearly	8,500	5,000
Kms run per litre	8	8
Kms run during the year	15,000	6,000
Estimated life of vehicle (kms)	1,00,000	75,000

Charge interest at 10% p.a. on the cost of vehicle. The vehicles run 20 kms per hour on an average.

10. The budgeted overhead and cost driver volumes of XL Ltd. are as follows :

Cost pool	Budgeted overhead (₹)	Cost driver	Budgeted volume
Material procurement	4,05,000	No. of orders	900
Machine set-up	3,59,100	No. of set-ups	450
Maintenance	2,40,000	Maintenance hrs	3,000
Quality control	1,40,000	No. of inspections	700
Machinery	4,80,000	No. of machine hrs	24,000

The company has produced a batch of 2500 components of 'M' its material cost was ₹ 1,10,000 and labour cost ₹ 1,90,000. The usuage of activities of this batch are as follows.

Material orders 21, set-ups of machine 19, maintenance hours 510, no. of inspections 26, machine hours 1300.

Calculate cost driver rates that are used for computing appropriate amount of overhead to this batch and ascertain the cost of the batch of the component using activity based costing.