SN – 1796

V Semester B.Com. Examination, Nov./Dec. 2008
(New Semester Scheme)
COMMERCE
Paper – 5.1 : Methods and Techniques of Cost Accounting

Time : 3 Hours   Max. Marks : 90

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

SECTION – A

Answer **any ten** of the following. **Each** question carries **2** marks. **(10×2=20)**

1. a) What is composite cost unit ?

   b) What do you mean by work-in-progress in contract costing ?

   c) Mention two features of industries that adopt process costing.

   d) Name any two by products of petroleum industry.

   e) What do you mean by 'Uncertified work' in contract ?

   f) Mention two features of job costing.

   g) What do you mean by joint products ?

   h) What is P/V ratio ?

   i) What is contribution ?

   j) Define standard costing.

   k) State any two objectives of budgetary control.

   l) What is batch costing ?

P.T.O.

SECTION – B

Answer **any five** questions. **Each** question carries **5** marks. **(5×5=25)**

2. Explain the objectives of transport costing.

3. Explain the following :

   a) Normal loss

   b) Abnormal loss.

4. Discuss the advantages and limitations of standard costing.

5. Calculate E.B.Q. from the following :

Annual demand	:	50,000 units
Setting up cost	:	Rs. 100 per unit
Interest	:	@10%
Cost of storage per unit	:	50 paise
Cost of manufacturing	:	Rs. 20 per unit

6. A factory is engaged in manufacturing. In the manufacture of main product, 100 units of a certain by-product were produced. The market value of the by-product was Rs. 10 per unit. The by-product required further processing cost amounting to Rs. 300; selling and distribution cost came to Rs. 50. Make an estimate of by-product cost at the point of split off assuming that average profit earned is 10% on sales.

7. Sales 10,000 units @ Rs. 20 per unit

   Variable cost Rs. 10 per unit

   Fixed cost Rs. 80,000

   Find out break even point in units as well as in amount and also profits earned. What should be the sales for earning a profit of Rs. 60,000 ?

8. Using the following information, calculate :

   i) Labour cost variance

   ii) Labour rate variance and

   iii) Labour efficiency variance :

Standard hours	:	4,000
Actual hours	:	5,000
Standard wage rate	:	Rs. 3 per hour
Actual wage rate	:	Rs. 2.50 per hour

9. Calculate Margin of Safety from the following data :

		Sowmya & Co.	Veena & Co.
		Rs.	**Rs.**
Sales :		1,00,000	1,00,000
Cost : (total including fixed and variable)		80,000	80,000
Fixed :	**Rs.**		
Sowmya & Co.	30,000		
Veena & Co.	50,000		
Variable :			
Sowmya & Co.	50,000		
Veena & Co.	30,000		
Profit		20,000	20,000

SECTION – C

Answer **any three** questions. **Each** question carries **15** marks. **(3×15=45**

10. Shivaprakash Road Lines supplies the following details in respect of a truck of 5 ton capacity :

Cost of the truck	–	Rs. 9,00,000
Estimated life	–	10 years
Diesel, oil, grease	–	Rs. 150 per trip each way
Repairs and maintenance	–	Rs. 5,000 p.m.
Drivers wages	–	Rs. 5,000 p.m.
Cleaners wages	–	Rs. 2,500 p.m.
Insurance	–	Rs. 48,000 p.a.
Road tax	–	Rs. 24,000 p.a.
General supervision charges	–	Rs. 48,000 p.a.

The truck carries goods to and from the city covering a distance of 50 kms; each way. While going to the city, freight is available to the extent of full capacity and while returning only 20% of the capacity. Assuming the truck runs on an average 25 days in a month, work out

i) operating cost per ton-km

ii) rate per ton per trip that should be charged to earn a profit of 50% on freight.

11. A product is finally obtained after it passes through three distinct processes. The following information is available from the cost records :

Particulars	**Process I Rs.**	**Process II Rs.**	**Process III Rs.**	**Total Rs.**
Materials	2,600	2,000	1,025	5,625
Direct wages	2,250	3,680	1,400	7,330
Production overheads	–	–	–	7,330

500 units at Rs. 4 per unit were introduced in Process I. Production overheads are absorbed as a percentage of direct wages.

The actual output and normal loss of the respective processes are given below :

	Output in units	**Normal loss a % of input**	**Value of scrap (per unit)**
Process I	450	10%	Rs. 2
Process II	340	20%	Rs. 4
Process III	270	25%	Rs. 5

Prepare the Process Accounts and Abnormal Gain/Loss Accounts.

12. M/s Shiva Company undertook a contract for a total price of Rs. 5 lakh. Following is the abstract for the year ending 31-3-2007 :

	Rs.
Material sent to site	1,00,000
Material purchased	70,698
Labour	1,40,000
Outstanding wages on 31-3-2007	8,750
Plant installed	30,000
Depreciation on plant	8,000
Direct expenses	6,334
Outstanding direct expenses on 31-3-2007	580
Overhead charges payable on 31-3-2007	9,250
Overhead charges	8,252
Materials returned	1,098
Work certified	3,90,000
Work uncertified	9,000
Material at site on 31-3-2007	3,766
Cash received from contractee	3,60,000

Prepare the Contract a/c and show how WIP appears in Balance Sheet.

13. From the following data, draw a Break-even chart showing the break-even point. Use graph paper.

Budgeted output	80,000 units
Fixed expenses	Rs. 8,00,000
Variable cost per unit	Rs. 20
Selling price per unit	Rs. 40

14. A manufacturing company has the production capacity of 20,000 units p.a. The expenses for production of 10,000 (50%) units for a period are furnished below :

	Per unit
	Rs.
Materials	40
Wages	20
Manufacturing expenses (40% fixed)	10
Administration expenses (all fixed)	5
Selling and Distribution expenses (60% fixed)	5
Total cost	**80**
Profit	20
Selling price	**100**

Prepare a flexible budget for 60%, 70% and 90% levels of activity. It is expected that the present unit selling price will remain constant upto 60% activity beyond which a 5% reduction is contemplated upto 90% activity levels.