



V Semester B.Com. Examination, Nov./Dec. 2014
(Semester Scheme) (2014-15 and Onwards) (Freshers)

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) What is a job cost sheet ?
- b) Give the meaning of Notional Profit.
- c) Give the meaning of work in progress in contract costing.
- d) State the names of two industries in which process costing can be used.
- e) What is abnormal process loss ?
- f) What do you mean by joint expenses ?
- g) Mention two industries in which operating costing is used.
- h) What do you mean by variable cost ? Give examples.
- i) What are cost drivers ?
- j) State any two advantages of ABC.
- k) What do you mean by target costing ?
- l) What is just in time manufacturing ?

SECTION – B

Answer **any four** questions. Each question carries **eight** marks :

(4×8=32)

2. The following information is available for Job No. 200

	Department A	Department B	Department C
Materials consumed	Rs. 4,000	Rs. 1,000	Rs. 1,500
Direct labour :			
Wage rate per hour	Rs. 3	Rs. 4	Rs. 5
Direct labour hours	300	200	400

The following are chargeable to job No. 200

Fixed production overhead – Rs. 5 per direct labour hour.

Fixed administration overhead – 80% of works cost.

Profit – 20% on selling price.

Calculate the total cost and selling price of job No. 200.

P.T.O.



3. The following particulars relate to a certain contract carried out during the year ended 31-3-2013.

	Rs.
Work certified	1,43,000
Cash received from contractee	1,30,000
Materials sent to site	64,500
Labour	54,800
Plant installed at site	11,300
Value of plant on 31-3-2013	8,200
Cost of work not yet certified	3,400
Establishment charges	3,250
Direct expenditure	2,400
Wages accrued on 31-3-2013	1,800
Materials on hand on 31-3-2013	1,400
Materials returned to stores	400
Direct expenses accrued	200
Contract price	2,00,000

Prepare the Contract Account for the year ended 31-3-2013.

4. A company manufacture a main product 'M' and two by-products A and B. Cost data is as follows :

Particulars	M	A	B
Sales (Rs.)	1,50,000	12,000	7,000
Manufacturing cost			
a) Before separation cost (Rs.)	75,000		
b) After separation cost (Rs.)	23,000	2,200	1,800
Ratio of distribution of selling cost	85%	10%	5%
Administrative cost	12,000	1,500	1,000
Net profit	20%	15%	10%

Apportion the joint cost among the three product using reverse cost method.

5. Bhavani Company owns a bus which runs between Bangalore and Shimoga for 10 days in a month. The distance from Bangalore to Shimoga is 300 kms. It makes one round trip per day. The bus goes another 10 days in a month towards Hassan. The distance from Bangalore to Hassan is 200 kms. The trip is also completed in the same day. For rest of 4 days of its operation in a month it runs in the local city. Daily distance covered in local city is 60 kms. The seating capacity of the bus is 50 passengers. The bus is generally occupied 90% of the capacity while it travels from Bangalore to Shimoga and back. 80% of its capacity while it travels from Bangalore to Hassan and back. It is generally full when it runs within the city.

Calculate :

- 1) Total distance covered in the month
- 2) Total passenger kilometers in the month.

6. What are the benefits of just in time ?



SECTION - C

Answer any three questions. Each carries sixteen marks :

(3×16=48)

7. Saurav Construction Ltd. have undertaken the construction of a building. The contract price being Rs. 65 lakhs. The details regarding contract are as follows :

	Rs.
Materials purchased	16,50,000
Materials sent from stores	4,00,000
Workers wages	20,00,000
Direct expenses	1,25,000
Rent of plant	60,000
General overhead	1,75,000
Materials on hand at the end	37,500
Wages accrued at the end	31,500
Direct expenses accrued	7,500
Cost of work certified by engineer	55,00,000
Cost of work uncertified	1,00,000
Cash received	44,00,000
Transfer of material to other contract	10,000

Prepare :

- 1) Contract A/c
- 2) Contractee A/c
- 3) Balance Sheet with relevant items.

8. A product passes through three process for completion. For the month ending 31-3-2013 the following are the details.

	Total (Rs.)	Process		
		X (Rs.)	Y (Rs.)	Z (Rs.)
Materials	84,820	20,000	30,200	34,620
Labour	1,20,000	30,000	40,000	50,000
Direct expenses	7,260	5,000	2,260	Nil
Production overhead	60,000	-	-	-
Normal loss	-	10%	5%	10%
Sale of scrap per unit	-	3	5	6
Production in units	-	920	870	800

1000 units at Rs. 50 per unit were issued to process 'X'. Production overhead is to be allocated on the basis of direct labour.

Prepare Process Accounts, Abnormal gain and Loss Account.



9. From the following information of a transport company for the year 2013, prepare an operating cost sheet showing unit cost per passenger km.

- a) Passenger buses 5 nos
 b) Cost of the buses Rs. 1,00,000
 Rs. 2,40,000
 Rs. 90,000
 Rs. 1,10,000
 Rs. 1,60,000
 c) Depreciation at 20% of the cost p.a.
 d) Annual repair charges and maintenance – 80% of depreciation
 e) Wages of 10 drivers at Rs. 200 each per month
 f) Wages of 20 cleaners at Rs. 100 each per month
 g) Director's fees – Rs. 800 per month
 h) Office expenses Rs. 2,000 per month
 i) Taxes at Rs. 2,000 half yearly
 j) Realization of old tyres and tubes Rs. 6,400 for every 6 months
 k) Yearly rate of interest – 4% on capital
 l) Diesel expenses p.a. Rs. 40,000
 m) 1800 passengers were carried over 3200 kms during the year
 n) Rent of six garages at Rs. 100 per month.

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

Cost pool	Budgeted overheads (Rs.)	Cost driver	Budgeted volumes
Material purchase	1,15,940	No. of orders	220
Material handling	50,048	No. of movement	136
Set-up	83,200	No. of set-ups	104
Maintenance	1,93,200	Maintenance hours	1,680
Quality control	34,200	No. of inspections	180
Machinery	1,44,000	No. of machine hours	4,800

The company has produced a batch of 520 components of product 'X'. Its material cost were Rs. 1,30,000 and labour cost Rs. 2,45,000.

The usage activities of the said batch are as follows :

- Material order – 26
 Maintenance hours – 690
 Material movements – 18
 Inspection – 28
 Set-ups – 25
 Machine hours – 1,800

Calculate cost driver rates and ascertain the cost of the batch of components of product 'X' using activity based costing.