(i) **Printed Pages: 7** **Roll No. ....**

(ii) **Questions : 14** **Sub. Code : | 1 | 7 | 8 | 2 | 6 |**

Exam. Code : | 0 | 0 | 1 | 4 |

Bachelor of Commerce 4th Semester

(2055)

COST MANAGEMENT

Paper : BCM-404

Time Allowed : Three Hours] **[Maximum Marks : 80**

Note :— Attempt any **FOUR** questions from Section-A, **TWO** questions from Section-B and **TWO** questions from Section-C. Each question in Section-A carries **5** marks, whereas each question in Sections B & C carries **15** marks.

SECTION—A

1. With the following data for a 60 percent activity, prepare a budget for production at 80 percent and 100 percent activity. Production at 60 percent activity — 600 units.

Materials	Rs. 100 per unit
Labour	Rs. 40 per unit
Expenses	Rs. 10 per unit
Factory Expenses	Rs. 40,000 (40% fixed)
Administrative Expenses	Rs. 30,000 (60% fixed)

2. Calculate Economic Batch Quantity from the following :

Annual demand for the component is 8000 units; setting up cost Rs. 200. Cost of manufacturing one-unit Rs. 100; carrying cost per unit per year 20%.

3. Differentiate between fixed and flexible budget.

4. Differentiate between Joint Products and By Products.

5. From the following prepare Process A/c and Abnormal Gain Account :

Material issued 6000 units @ Rs. 15 per unit, Labour charges Rs. 52,000 and other expenses Rs. 35,000. The normal loss 10% of the units introduced, sale price of the normal loss Rs. 4 per unit. The actual output was 5,650 units during the period.

6. An expenditure of Rs. 1,94,000 has been incurred on a contract to the end of 31st March 2019. The value of work certified is Rs. 2,20,000. The cost of work done but not certified is Rs. 6,000. It is estimated that the contract will be completed by 30th June 2019 and an additional expenditure of Rs. 40,000 will have to be incurred to complete the contract. The total estimated expenditure on the contract is to include a reserve of 2.5% on total expenditure for contingencies. The contract price is Rs. 2,80,000 and Rs. 2,00,000 has been received from

contractee up to 31st March 2019. Calculate the proportion to be taken to the credit of Profit & Loss A/c as on 31st March 2019 under different methods.

SECTION—B

7. The product of a factory passes through three Processes A, B and C. The normal loss in Process A – 2.5%, in Process B – 5% and in Process C – 10%. The wastage in each process is sold at the rate of Rs. 10, Rs. 20 and Rs. 30 per 10 units of Process A, B and C respectively.

	Process A **Rs.**	**Process B** **Rs.**	**Process C** **Rs.**
Material Consumed	12,000	6,000	3,000
Direct Labour	18,000	12,000	9,000
Manufacturing Exp.	3,000	3,000	4,500

4,000 units costing Rs. 16,000 have been issued to Process A. The output of each process is as under :

Process A – 3900 units

Process B – 3600 units

Process C – 3250 units

Prepare the Process Accounts.

8. A contractor who prepares his accounts on 31st December each year commenced a contract on 1st April 1990. The costing records concerning the said contract reveal the following information as on 31st December 1990 :

	Rs.
Material charged on site	2,58,100
Labour engaged	5,60,500
Foremen's salary	79,300

Plant costing Rs. 2,60,000 had been on site for 146 days. The working life of the plant is estimated at 7 years and the scrap value at Rs. 15,000. A supervisor who is paid Rs. 4,000 per month had devoted three fourth of his time to this contract. The administrative and other expenses amount to Rs. 1,40,000. Material in hand at site on 31st December 1990 was Rs. 25,400. Some of the material costing Rs. 4,500 was found unsuitable and was sold for Rs. 4,000 and a part of the plant costing Rs. 5,500 (on 31st December 1990) unsuited to the contract was sold at a profit of Rs. 1000.

The contract price was Rs. 20,00,000. On 31st December 1990 two thirds of the contract was completed. Architect certificate had been issued covering 50% of the contract price and 75% of the work certified had been received in cash.

Prepare Contract A/c and Contractee A/c.

9. What do you understand by Activity based Costing ? Explain the basic elements and sate the advantages of Activity based Costing.

10. What do you mean by Cost Management ? Discuss various applications of Cost Management.

SECTION—C

11. The standard cost of a chemical mixture is as thus :

40% material C at Rs. 20 per kg.

60% material D at Rs. 30 per kg.

A standard loss of 10% of input is expected in production :

The cost records for a period showed the following usages :

90 kgs. material C at a cost of Rs. 18 per kg.

110 kgs. material D at a cost of Rs. 34 per kg.

The quantity produced was 184 kgs. of good product.

Calculate all possible material variances.

12. ABC Company Ltd. has given the following particulars. You are required to prepare a cash budget for the three months ending 31st December, 2012 :

(a)

Months	**Aug.**	**Sept.**	**Oct.**	**Nov.**	**Dec.**
Sales (Rs.)	20,000	21,000	23,000	25,000	30,000
Materials (Rs.)	10,200	10,000	9,800	10,000	10,800
Wages (Rs.)	3,800	3,800	4,000	4,200	4,500
Overheads (Rs.)	1,900	2,100	2,300	2,400	2,500

(b) Credit terms are :

Sales/Debtors – 10% sales are on cash basis, 50% of the credit sales are collected next month and the balance in the following month :

Creditors – Materials 2 months

– Wages 1/5 month

– Overheads ½ month

(c) Cash balance on 1st October, 2012 is expected to be Rs. 8,000.

(d) A machinery will be installed in August, 2012 at a cost of Rs. 1,00,000. The monthly installment of Rs. 5,000 is payable from October onwards.

(e) Dividend at 10% on preference share capital of Rs. 3,00,000 will be paid on 1st December, 2012.

(f) Advance to be received for sale of vehicle Rs. 20,000 in December.

(g) Income-tax (advance) to be paid in December Rs. 5,000.

13. "Marginal Costing is a very useful tool for management for cost control, profit planning and decision making." Discuss this statement with reference to the applications and merits of marginal costing.

14. "Flexibility in a budget is an aid to coordination while budgetary control is an instrument of coordination." In the light of this statement explain essential of a good budgetary control system.