

(i) Printed Pages : 7

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(ii) Questions : 14

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Exam. Code :

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Bachelor of Commerce (FYUP) 4th Semester

(2056)

COST MANAGEMENT

Paper : NBCM401

Time Allowed : 3 Hours]

[Maximum Marks : 80

Note :— Attempt any **four** short answer type questions from Section A. Each question in this section carries **5** marks. Attempt any **two** essay type/numerical questions each from Section B and C respectively. Each question in these sections carries **15** marks.

SECTION—A

1. Write a short note on cost control.
2. Describe the process of life cycle costing.
3. Work out in appropriate cost sheet form the unit cost per passenger km for the year 2025-26 for a fleet of passenger buses run by a Transport Company from the following figures extracted from its books:

5 passenger buses costing Rs. 50,000, Rs. 1,20,000, Rs. 45,000, Rs. 55,000, and Rs. 80,000 respectively. Yearly depreciation of vehicles 20% of the cost. Annual repair, maintenance, and spare parts 80% of depreciation. Wages of 10 drivers @ Rs. 100 each per month, wages of 20 cleaners @ Rs. 50 each per month. Yearly rate of interest @ 4% on capital. Rent of six garages @ Rs. 50 each per month. Director's fees @ Rs. 400 per month, office establishment @ Rs. 1,000 per month, license and taxes @ Rs. 1,000 every six months, realization by sale of old tyres and tubes @ Rs. 3,200 every six months. 900 passengers were carried over 1,600 kms during the year.

4. Chann Ltd. has prepared its expense budget for 20,000 units in its factory for the year 2025 as detailed below:

	Rs. per unit
Direct Materials	50
Direct Labour	20
Variable Overhead	15
Direct Expenses	6
Selling Expenses (20% fixed)	15
Factory Expenses (100% fixed)	7
Administration Expenses (100% fixed)	4
Distribution Expenses (85% variable)	12
	129

Prepare an expense budget for the production of 15,000 units and 18,000 units.

5. Munna Ltd. manufactures two joint products, A and B, and sells them at Rs. 5 and Rs. 4 per unit respectively. During a particular period, 400 units of A and 500 units of B were produced and sold. The joint cost incurred was Rs. 180 and further processing costs for products A and B are Rs. 1,600 and Rs. 1,500 respectively. Apportion the joint cost.
6. The sales and profits during two years were as follows:

Year	Sales (Rs.)	Profit (Rs.)
2024	1,20,000	9,000
2025	1,40,000	13,000

You are required to calculate: (a) P/V Ratio, and (b) Break-even Point

SECTION—B

7. What do you mean by Target Costing? Explain the process of target costing. What are its advantages?
8. State the need and significance of cost management. Also, explain the techniques used in cost management.
9. A Product passes through two processes A and B. During the year 2025, the input to process A of basis raw material was 8,000 units @ Rs. 9 per unit. Other information for the year is as follows:

	Process A	Process B
Output units	7,500	4,800
Normal Loss (% to input)	5%	10%
Scrap Value per unit (Rs.)	2	10
Direct Wages (Rs.)	12,000	24,000
Direct Expenses (Rs.)	6,000	5,000
Selling Price per unit (Rs.)	15	25

Total overheads Rs. 17,400 were recovered as a percentage of direct wages. Selling expenses were Rs. 5,000. These are not allocated to the processes. 2/3 of the output of Process A was passed on to the next process and the balance was sold. The entire output of Process B was sold.

Prepare Process Accounts, Abnormal Loss/Gain Accounts, and Profit & Loss Account.

10. A company manufacturing two products furnishes the following data for a year:

Products	Annual output (units)	Total machine hours	Total number of purchase orders	Total number of set-ups
A	5,000	20,000	160	20
B	60,000	1,20,000	384	44

The annual overheads are as under:

Volume related activity costs: 5,50,000

Set-up related costs: 8,20,000

Purchase related costs: 6,18,000

You are required to calculate the cost per unit of each product

A and B based on:

(i) Traditional method of charging overheads

(ii) Activity-based costing method.

SECTION—C

11. A manufacturing business sells its product at Rs. 20 per unit. It has a normal capacity of 50,000 units p.a., and budgeted costs at this level are:

Direct materials Rs. 3,00,000; Direct labour Rs. 2,00,000;
Expenses: Fixed Rs. 2,50,000; Variable Rs. 1,00,000

A sales budget has been prepared for the local market and orders are expected for 35,000 units. The sales manager has established that an export order for an additional 10,000 units could be negotiated at a special price of Rs. 14 per unit. He has also established that a second order of 4,000 modified units

could be obtained at a special price of Rs. 13 per unit. The modifications would reduce the cost of direct materials by Rs. 1 per unit but would increase the direct labour cost by 25%.

Examine the problem and submit your recommendations, with facts and figures, as to whether the special orders should be accepted or not.

12. From the following data, compute all material variances:

The Standard Mix is as under:

4 tons of material X @ Rs. 20 per ton

6 tons of material Y @ Rs. 30 per ton

Standard yield is 90% of input

The Actual Mix is as under:

4.5 tons of material X @ Rs. 15 per ton

5.5 tons of material Y @ Rs. 34 per ton

Actual yield is 9.1 tons

13. Define Flexible Budget and explain its importance as a budgeting technique and tool of control. Also differentiate it with fixed budget.

14. "Marginal costing is a very useful technique to management for cost control, profit planning, and decision making". Explain this statement with reference to the applications of such costing.