



SRN – 15

B.Com. (Semester – V) Examination, October 2013
Major 2 : COST AND MANAGEMENT ACCOUNTING
Methods and Techniques of Costing – I

Duration : 2 Hours

Total Marks : 80

- Instructions :** 1) Question No. 1 is **compulsory**.
 2) Answer **any three** questions from Question 2 to Question 6.
 3) **Total** number of questions is **6**.
 4) Figures to the **right** indicate **marks** allotted to the question.

1. A distributor using a single lorry delivers goods to a dealer located 40 kms. away by road. The lorry has a capacity of 10 tons and makes 2 journeys per day – fully loaded on outward journeys and empty on return journeys.

Following information is available for a 4 weekly period in the year 2012 :

Petrol consumption	16 kms. per litre
Petrol cost	Rs. 65 per litre
Oil	Rs. 500 per week
Driver's wages	Rs. 2,000 per week
Repairs	Rs. 500 per week
Garage Rent	Rs. 750 per week
Cost of lorry (excluding tyres)	Rs. 4,50,000
Life of lorry	1,60,000 kms.
Insurance	Rs. 32,500 p.a.
Cost of tyres	Rs. 15,625
Life of tyres	25,000 kms.
Estimated sale value of Lorry at the end of its life	Rs. 50,000
Licence fees	Rs. 6,500 p.a.
Other overhead costs	Rs. 41,600 p.a.

The lorry operates on a five day week.

Prepare a statement showing the operating cost of the lorry per kilometre and per ton kilometre.

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2. The following information relates to a contract for the year ended 31st December, 2012. The contract commenced on 1st January, 2012. 20

Material costing Rs.1,70,000 was sent to site, of which material worth Rs. 6,000 was destroyed by fire. Wages of Rs. 1,80,000 were paid during the year. Plant costing Rs. 50,000 was used on the contract throughout the year, while Plant costing Rs. 2,00,000 was used from 1st January to 30th September, 2012 and then returned to Stores.

Material worth Rs. 4,000 were at site on 31-12-2012. Miscellaneous expenses charged to the contract are 25% of wages. Plant is to be depreciated at 10% p.a. The contract price is Rs. 6,00,000 and work certified is 80% of contract price. Cash received from the contractee is Rs. 3,00,000. Work not certified was Rs. 15,000.

Prepare Contract Account for the year ended 31st December 2012, clearly showing the portion of the profit transferred to P and L A/c.

3. A factory is currently working at 50% capacity and produces 10,000 units of product 'X', the unit cost of which is Rs. 180 comprising of : 20

	Rs.
Direct Material	100
Direct wages	30
Factory overheads	30 (40% fixed)
Administrative overheads	20 (50% fixed)
	180
Selling Price	200

If the capacity is increased to 60%, the raw material cost will increase by 2% and the selling price falls by 2%. At 80% capacity, the material cost increases by 5% and the selling price falls by 5%.

You are required to prepare a Flexible Budget for three capacity levels – 50%, 60% and 80% and find the profitability at each of the three levels.

4. a) In the course of manufacturing a product 'A', a by-product 'B' is derived. The by-product is further processed for sale. From the following information, calculate the cost per kg. of the main product 'A' and by-product 'B'. 10
- The common expenses upto the point of separation are Rs. 19,500. Subsequent expenses are – 'A' Rs. 12,500 and 'B' Rs. 3,100. The quantities produced during the period were – 'A' 100 kgs. and 'B' 50 kgs. The selling price of 'B' was Rs. 120 per kg on which the profit earned was 30% on selling price.



b) From the following budgeted figures, prepare a cash Budget for the quarter ending 31st Dec. 2013 :

Month	Sales Rs.	Material Rs.	Wages Rs.	Overheads Rs.
August	20,000	10,200	3,800	1,900
September	21,000	10,000	3,800	2,100
October	23,000	9,800	4,000	2,300
November	25,000	10,000	4,200	2,400
December	30,000	10,800	4,500	2,500

- 1) 10% sales are on cash basis. Of the credit sales 50% are collected next month and the balance in the following month.
- 2) Creditors for material – 2 months credit.
- 3) Delay in payment of wages $\frac{1}{5}$ month and overheads $\frac{1}{2}$ month.
- 4) Cash balance is expected to be Rs. 8,000 on 1st Oct. 2013.
- 5) Machinery installed in August for Rs. 1,00,000. Monthly instalment of Rs. 5,000 is payable from September, 2013. 10

- 5. a) Discuss the role of Management Accountant. What are the limitations of Management Accounting ? 10
 - b) What are the objectives and functions of Management Accounting ? 10
6. Write short notes on **any four** : 20

- a) Escalation clause in contract
 - b) Objectives of operating costing
 - c) Joint products and By-products
 - d) Sales Budget
 - e) Job Costing
 - f) EBQ.
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