

ST. JOSEPH'S EVENING COLLEGE (AUTONOMOUS)

VI SEMESTER B.COM EXAMINATIONS - APRIL 2018

COST MANAGEMENT

Duration: 2.5 Hours

Max. Marks: 70

SECTION - A

I) Answer any EIGHT of the following questions. (8x2=16)

1. Define Just in Time.
2. What is retention money?
3. Give the meaning of activity based costing.
4. What is process costing?
5. Give examples of industries where process costing is used.
6. What is joint Product?
7. State the meaning of normal loss.
8. Define operating costing.
9. What is a log sheet?
10. What is target costing?
11. What are running charges? Give examples.
12. What is work certified?

SECTION - B

II) Answer any THREE of the following questions. (3x8=24)

13. Mention any five differences between Job costing and Contract costing.
14. Explain the benefits and drawbacks of Just in Time.
15. A transport company is running a fleet of 12 buses between two towns 150 kms apart. Seating capacity of each bus is 40 passengers. The following particulars are available for the month of June 2017:

Particulars	Rs.	Particulars	Rs.
Wages of drivers, conductors & cleaners	7200	Taxation ,insurance etc.	4800
Salaries of office & other staff.	3000	Depreciation	7800
Diesel & other oils	20640	Interest on capital	6000
Repairs & Maintenance	2400		

Actual passengers carried were 80% of the seating capacity. All the buses ran on all days of the month. Each bus made one round trip per day.

Find out the cost per passenger kilometer.

16. X Construction Ltd. has undertaken the construction of a Building. The contract price is Rs.65,00,000.The details relating to the contract are as follows:

Particulars	Rs.	Particulars	Rs.
Materials bought	16,50,000	Materials at the end of the period	31,500
Materials sent from stores	4,00,000	Wages accrued at the end.	37,500
Labour cost	20,00,000	Direct expenses accrued at the end.	7,500
Hire & use of plant	60,000	Cost of the work certified	55,00,000
General overhead	1,75,000	Cost of work uncertified.	1,00,000
Direct expenses	1,25,000	Cash received	44,00,000

Prepare - a. Contract account. b. Balance Sheet of the contractor.

17. The budgeted overheads and cost driver volumes of MN Ltd are as follows:

Cost pool	Budgeted OH(Rs.)	Cost driver	Budget volumes
Material procurement	115940	No. of orders	220
Material handling	50048	No of movements	136
Set up	83200	No of setups	104
maintenance	193200	Maintenance hours	1680
Quality control	34200	No of inspections	180
machinery	144000	No of machine hours	4800

The company has produced a batch of 520 components of product X, its material cost were Rs. 130000 and labour cost Rs. 245000. The usage activities of the said batch are as follows:

Material orders-26, maintenance hrs-690, material movements-18, inspection-28, setups-25, machine hrs-1800.

Calculate cost driver rates that are used for tracing appropriate amount of overheads to the set batch and ascertain the cost of batch of components using activity based costing.

SECTION - C

- III) Answer any TWO of the following questions. (2x15=30)

18. X Ltd. Manufactures and sells toys. The following information of cost break up is given for manufacturing one toy.

Direct material - Rs.240, Direct labour- Rs 180, Manufacturing expenses- Rs 120, Administration expenses - Rs 100, Marketing expenses- Rs 60, Profit- Rs 30.

The company plans to manufacture 500 toys. From the following information, prepare a statement showing the price at which the toys would be sold.

- Material cost will decrease by 2%
- Labour cost will increase by 3%.
- Marketing expenses remain the same per unit.
- Profit of 10% on selling price.

19. Product X is obtained after it passes through 3 distinct processes. You are required to prepare process account, Abnormal loss and gain account.

Particulars	Total (Rs.)	I(Rs.)	II(Rs.)	III(Rs.)
Materials	15084	5200	3960	5924
Direct Wages	18000	4000	6000	8000
Overheads	18000	-	-	-

1000 units at Rs 6.00 per unit were introduced in Process I. Production overheads are to be distributed at 100% on direct wages.

Actual output	Units	Normal loss	Value of scrap per unit.
Process I	950	5%	4.00
Process II	840	10%	8.00
Process III	750	15%	10.00

There was no stock of materials or WIP at the beginning or at the end of the period. The output of each process passes direct to next process and finally to finished stock.

20. A person owns a bus which runs between Bangalore and Mysore and back for 10 days in a month. The distance between Bangalore and Mysore is 130 kms. The bus completes the trip from Bangalore and Mysore and will be back on the same day. The bus goes to Nandi for another 10 days. The distance between Bangalore and Nandi is 60 kms. This trip is also completed on the same day. For the rest of 4 days of its operation it runs in the local city. Daily distance covered is 30 kms.

Calculate the charge to be made by the person when he wants to earn a profit of 25% on his taking. The other information is:

- Cost of the bus-Rs 3, 00,000.
- Depreciation -20% p.a.
- Salary of driver - Rs 1200 per month.
- Insurance -Rs 7500 p.a.
- Diesel consumption - 10 kms per litre costing Rs . 4 per litre.
- Token tax -Rs 6000 p.a
- Lubricant - Rs 10 per 100 kms.
- Repairs and Maintenance - Rs 2500 p.m
- Permit fee - Rs 1500 p.m
- Salary of conductor - Rs 1200 per month, clerk - Rs 250 p.m.
- Normal capacity - 50 persons
- The bus generally occupies 90% of the capacity.

21. The following information relates to a building contract for Rs 10,00,000:

Particulars	2005(Rs.)	2006(Rs.)
Materials issued	3,00,000	84,000
Direct wages	2,30,000	1,05,000
Direct expenses	22,000	10,000
Indirect expenses	6,000	1,400
Work certified	7,50,000	10,00,000

Work uncertified	8,000	-
Materials at site	5,000	7,000
Plant issued	14,000	2,000
Cash received from Contractee	6,00,000	10,00,000

The value of the plant at the end of 2005 and 2006 was Rs 7,000 And Rs 5000.

Prepare :

- a. Contract account
- b. Contractee account for two years.