



**VI Semester B.Com. Examination, May/June 2018
(CBCS) (F+R) (2016-17 and Onwards)
COMMERCE**

Paper – 6.6 : Elective Paper – IV : Cost Management

Time : 3 Hours

Max. Marks : 70

Instruction : Answers should be written completely either in **English** or in **Kannada**.

SECTION – A

Answer **any five** sub-questions from the following. Each sub-question carries 2 marks. **(2×5=10)**

1. a) Define marginal costing.
- b) What is flexible budget ?
- c) Give the meaning of fixed cost with an example.
- d) What is activity based costing ?
- e) Mention any two types of variances.
- f) What is cost reduction ?
- g) Give the meaning of margin of safety.

SECTION – B

Answer **any three** of the following. Each question carries 6 marks. **(3×6=18)**

2. What are the essentials for success of cost control ?
3. Write the advantages of budgetary control.
4. The standard material required to manufacture one unit of Product X : 10 kgs and the standard price per kg of material is Rs. 25. The cost accounts records, however, revealed that 11500 kgs of materials costing Rs. 2,76,000 were used for manufacturing 1000 units of Product X. Calculate material variances.
5. The following information relates to a firm.
Selling price per unit Rs. 200
Variable cost per unit Rs. 160
Fixed cost Rs. 6,00,000
Find out :
 - a) B.E.P. in units and in value.
 - b) Find out the selling price per unit if B.E.P. is brought down to 8000 units.

P.T.O.



6. A company manufactures two products A and B using common facilities. The following cost data for a month are presented to you :

	Product A	Product B
Units produced	1000	2000
Direct labour hours per unit	2	3
Machine hours per unit	6	1.5
Set up of machines	15	50
Orders	18	70
Machines activity expenses Rs.	3,00,000	
Set up related expenses Rs.	30,000	
Expenses relating to orders Rs.	35,000	

Calculate the overheads per unit absorbed using Activity Based Costing approach.

SECTION – C

Answer any three of the following. Each question carries 14 marks.

(3×14=42)

7. The sales and profit for two years are as below :

Year	Sales (Rs.)	Profits (Rs.)
2016	1,50,000	20,000
2017	1,70,000	25,000

Calculate :

- a) P/V Ratio
 - b) B.E. point in Rupees and Units
 - c) Sales required to earn a profit of Rs. 40,000
 - d) Margin of safety at a profit of Rs. 1,25,000
 - e) Variable cost of the two years
 - f) Profit when sales are Rs. 1,80,000.
8. A manufacturing company is expecting to have Rs. 16,000 cash in hand on 1-4-2018 and it requested you to prepare cash budget for three months April to June 2018. The following information supplied to you.

Month	Sales Rs.	Purchases Rs.	Wages Rs.	Expenses Rs.
February	35,000	22,000	3,000	2,500
March	40,000	28,000	4,500	3,000
April	48,000	30,000	4,500	3,500
May	50,000	34,000	5,500	4,500
June	60,000	31,000	7,000	4,500

Other information :

- a) Period of credit allowed by supplier is two months.
- b) 25% of sales are for cash and the period of credit allowed to customers is one month.
- c) Delay in payment of wages and expenses is one month.
- d) Income tax Rs. 14,000 is to be paid in June 2018.



9. The information regarding composition and the weekly wage rates of labour force engaged on a Job scheduled to be completed in 30 weeks are as follows :

Type of labour	Standard		Actual	
	No. of workers	Weekly wage rate per hour	No. of workers	Weekly wage rate per hour
Skilled	75	60	70	70
Semi skilled	45	40	30	50
Unskilled	60	30	80	20

The work completed in 32 weeks.

Calculate :

- a) Labour cost variance
- b) Labour rate variance
- c) Labour efficiency variance
- d) Labour mix variance.

10. The budgeted overheads and cost driver volumes of Suresh Ltd. are as follows :

Cost pool	Budgeted overhead	Cost driver	Budgeted volume
Material procurement	Rs. 3,95,000	Number of orders	850
Machine set up	Rs. 3,60,000	Number of set up	400
Maintenance	Rs. 2,00,000	Maintenance hours	3,100
Quality control	Rs. 1,60,000	Number of inspection	800
Machinery	Rs. 4,50,000	Number of machine hours	26,000

The company has produced a batch of 2500 components of AZ. Its material cost was Rs. 1,50,000 and labour cost Rs. 2,00,000. The usage of activities of this batch is as follows :

Material orders	20
Set up of machines	22
Maintenance hours	560
Number of inspections	25
Machine hours	1500

Calculate cost driver rates that are used for computing appropriate amount of overhead to this batch and ascertain the cost of the batch of the component using activity based costing.



11. a) The expenses of budgeted production of 10000 units in a factory are given :

Particulars	Per unit (Rs.)
Materials	100
Labour	40
Variable overheads	20
Fixed overheads (Rs. 1,00,000)	10
Variable expenses (Indirect)	4
Selling expenses (10% fixed)	20
Distribution expenses (20% fixed)	10
Administrative expenses (80,000)	8
Total cost per unit	212

Prepare a flexible budget for production of 8000 units including cost per unit of each item.

b) Calculate the following material variances from the following information.

- a) Material cost variance
- b) Material price variance
- c) Material usage variance.

Standard price of materials	Rs. 20 per kg
Standard quantity of material required per unit of output	12 kg
Value of materials purchased	Rs. 30,000
Actual output	1500 units
Materials purchased	6000 kg
Opening stock of materials	800 kg
Closing stock of material	1600 kg