



US – 494

VI Semester B.Com. Examination, May 2017
(CBCS) (Semester Scheme)
(2016 – 17 & Onwards) (Fresh)
COMMERCE
Paper 6.6 : Elective Paper – IV : Cost Management

Time : 3 Hours

Max. Marks : 70

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

SECTION – A

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

1. a) Give the meaning of margin of safety.
b) What do you mean by variance ?
c) Give the meaning of business process Re-Engineering.
d) What is a Flexible budget ?
e) Calculate the Break Even Point in units. Fixed cost Rs. 1,20,000, Variable cost per units Rs. 10, Selling price per unit Rs. 16.
f) What is a cost driver ?
g) A product X requires 25 units of standard material at the rate of Rs. 5 per unit. The actual consumption of material for the manufacture of product X is 20 units at the rate of Rs. 4 per unit.
Calculate material cost variance.

SECTION – B

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

2. Write the differences between cost control and cost reduction.
3. Briefly explain the limitations of Budgetary Control.
4. From the following calculate labour variances of Department A.

| | Dept. A |
|------------------------|----------------|
| Actual direct wages | Rs. 2,000 |
| Standard hours | 8,000 |
| Standard rate per hour | 30 paise |
| Actual hours worked | 8,200 |

P.T.O.



5. A firm has produced and sold 20,000 units during the year 2016. The selling price was Rs. 50 per unit. The cost details were
 Direct material Rs. 6 per unit
 Direct labour Rs. 6 per unit
 Variable overhead Rs. 3 per unit
 Fixed expenses Rs. 3,50,000
 Prepare a marginal cost statement to show the profit or loss for the year and also find out the Break Even Point.
6. Pavithra Ltd. manufactures two products X and Y. Product X produced in four runs of 250 units and product Y in five independent runs of 200 units. Each product consumer equal direct material and direct labour content. The product overheads amount to Rs. 36,000 which consists line set up costs Rs. 18,000, product inspection cost Rs. 9,000 and Rs. 9,000 for material movement to the product line. Total cost incurred for producing 1,000 units of X and 1,000 units of product Y will be as under
- | | |
|----------------------|---------------|
| Direct material | 30,000 |
| Direct labour | 8,000 |
| Production over head | 40,000 |
| | 78,000 |
- Calculate productwise cost under Activity Based Costing.

SECTION – C

Answer **any three** of the following. **Each** question carries **14** marks. **(3×14=42)**

7. From the following information prepare a flexible budget and estimate profit at 60% and 80% capacity.
- Capacity 50%
 Volume 10000 units
 Selling price per unit Rs. 200
 Material per unit Rs. 100
 Labour per unit Rs. 30
 Factory overheads per unit Rs. 30 (Rs. 12 fixed)
 Administration overhead per unit Rs.20 (Rs. 10 fixed)
 At 60% capacity material cost per unit increased by 2% and selling price per unit falls by 2%. At 80% capacity material cost per unit increases by 5% and selling price per unit falls by 5%.



8. An industry reports the following information for two consecutive years.

| Particulars | 31-03-2016 | 31-03-2017 |
|-------------|--------------|--------------|
| Sales | Rs. 8,10,000 | Rs. 9,00,000 |
| Profits | Rs. 18,000 | Rs. 45,000 |

Calculate :

- P/V Ratio
 - Fixed cost
 - Sales to earn a profit of Rs. 3,00,000
 - Break Even Point in rupees
 - Margin of safety at a profit of Rs. 72,000
 - Profit when sales are Rs. 10,00,000.
9. The standard mix to produce one unit of product is as follows.

| | | | |
|------------|------------------------------|---|--------------|
| Material A | 60 units at Rs. 15 per unit | = | 900 |
| Material B | 80 units at Rs. 20 per unit | = | 1,600 |
| Material C | 100 units at Rs. 25 per unit | = | 2,500 |
| | 240 units | | 5,000 |

During the month of April 100 units were actually produced and consumption was as follows.

| | | | |
|------------|------------------------|---|-----------------|
| Material A | 6400 at 17.50 per unit | = | 1,12,000 |
| Material B | 9500 at 18.00 per unit | = | 1,71,000 |
| Material C | 8700 at 27.50 per unit | = | 2,39,250 |
| | 24600 units | | 5,22,250 |

Calculate all material variances.

10. The Budgeted overheads and cost driver volumes of X Y Z Ltd. are as follows.

| Cost pool | Budgeted overhead | Cost driver | Budgeted Volumes |
|----------------------|-------------------|----------------------|------------------|
| Material procurement | 57,200 | No. of orders | 100 |
| Material handling | 24,000 | No. of movements | 60 |
| Set-up | 40,000 | No. of set ups | 50 |
| Maintenance | 90,000 | Maintenance hours | 900 |
| Quality control | 18,000 | No. of inspection | 80 |
| Machinery | 72,000 | No. of machine hours | 2,400 |



The company has produced a batch of 250 components of product X. The material cost were Rs. 60,000 and labour cost Rs. 1,00,000, the usage activities of the said batch are as follows.

| | |
|-------------------|-----|
| Material orders | 10 |
| Maintenance hours | 320 |
| Material movement | 10 |
| Inspection | 15 |
| Set-ups | 13 |
| Machine hours | 800 |

Calculate cost drivers rates and as certain the cost of the batch of components of product X using activity based costing.

11. A) Prepare a cash budget from the following for the period April to June 2016 from the following information.

| Month | Credit sales (Rs.) | Purchases (Rs.) | Wages (Rs.) |
|----------|-----------------------|--------------------|----------------|
| February | 1,80,000 | 1,24,800 | 12,000 |
| March | 1,92,000 | 1,44,000 | 14,000 |
| April | 1,08,000 | 2,43,000 | 11,000 |
| May | 1,74,000 | 2,46,000 | 10,000 |
| June | 1,26,000 | 2,68,000 | 15,000 |

50% of the credit sales are realised in the month following the sales and the remaining 50% in the second month following. Creditors are paid in the month following the month of purchases, wages are paid in the same month, cash in hand was Rs. 25,000 on April 1, 2016.

- B) Using the following information. Calculate.

- Labour Cost Variance
- Labour Rate Variance
- Labour Efficiency Variance

Standard hours 4,000

Actual hours 5,000

Standard Wage Rate Rs. 3 per hour

Actual Wage Rate Rs. 2.50 per hour.

