B.Com. (Semester – V) Examination, October/November 2018
Major – 1 : COST AND MANAGEMENT ACCOUNTING
Methods of Costing

Duration : 2 Hours Total Marks : 80

Instructions : *1) Question No. **1** is **compulsory**.*
*2) Answer **any three** questions from Question No. **2** to question No. **6**.*
*3) Figures to the **right** indicate **maximum** marks.*
4) Working notes should form part of the answer.

1. Following are the particulars for the production of 1000 'Digital Cameras' produced by Capture India Ltd. for the six months ended 30th September 2018. **20**

Stock of materials :	Stock on 1-4-2018	50,000
	Stock on 30-9-2018	1,10,000
Raw material purchased		3,60,000
Direct wages		1,20,000
Direct expenses		30,000
Factory overheads		1,50,000
Administrative overheads		40,000
Selling and Distribution overheads		60,000
Sales		10,00,000

The company expects the following for the next six months.

1) The output for the next six months will be 3000 'Digital Cameras'.
2) Direct material consumed per unit will remain unchanged.
3) Direct wages are expected to decline by 10%.
4) Direct expenses per unit will remain the same.
5) Factory overheads will go up by 15,000/-.
6) Selling and distribution overheads will remain the same per unit as in the previous six months.
7) Administrative overheads per unit will rise by 20%.

You are required to prepare :

i) Cost sheet for the period of six months ended as on, 30th September, 2018.

ii) Estimated cost sheet for the period of next six months ended on, 31st March, 2019, assuming the profit expected is 25% of selling price.

2. Perfect Contractors Ltd. having an authorized capital of Rs. 2,00,000 divided into 2000 shares of Rs. 100 each undertook a contract on 1st April 2017. The contract price was Rs. 8,00,000. The Trial Balance extracted from their books as on 31st March, 2018 stood as follows : 20

Particulars	**Dr. Rs.**	**Cr. Rs.**
Share capital	–	1,60,000
Sundry creditors		16,000
Land and Building at cost	68,000	–
Cash at bank	18,000	–
Materials	1,60,000	–
Plant	30,000	–
Wages	2,10,000	–
Expenses	10,000	–
Cash received (being 80% of work certified)	–	3,20,000
	4,96,000	**4,96,000**

Additional information :

Of the plant and materials charged to contract, plant costing Rs. 3,000/- and materials costing Rs. 2,400/- were destroyed by an accident.

On 31st March 2018, Plant which costs Rs. 10,000/- was returned to stores.

The value of materials at site was Rs. 6000/- and the cost of work done but not certified was Rs. 4,000/-

Charge 10% depreciation on plant.

Prepare Contract Account and the Balance Sheet for the year ended 31st March 2018.

3. A manufacturing company produces a product which passes through three processes before it is completed and transferred to finished stock. You are required to prepare process accounts from the following data. 20

Details	Process A Rs.	Process B Rs.	Process C Rs.
Direct material	30,000	7,500	6,000
Direct wages	22,500	15,000	30,000
Closing stock of material	7,500	9,750	14,250

Sales of finished goods amounted to Rs. 1,65,000 and closing stock valued at Rs. 7,500/-. The output of each process is transferred to the next process at the amount which will yield 20% profit on transfer price, the transfer from process C to finished stock is to be similarly treated.

Prepare the process accounts and finished stock account.

4. Mr. Arun owns a 'Mini Bus' with a capacity of 25 seats. It holds a license to operate between two cities which are 25 kms. apart. He runs the 'Mini bus' for 30 days in a month and on an average 80% of seating capacity is utilized. The bus makes two round trips each day. 20

Cost of the bus	24,00,000
Effective life	10 years
Drivers salary per month	8,000
Conductors salary per month	6,000
Managers salary per month	9,000
Cleaners salary per month	5,000
Garage rent per month	3,000
License, insurance etc. per month	5,000
Repairs and maintenance per month	4,000
Annual tax	36,000
Diesel and oil Rs. 1.40 per km.	–

The driver and conductor are given 10% of fare as commission to be divided equally between the two. The margin of profit expected was 20% of fare. Fix fare per passenger km.

5. A) The following particulars are supplied to you by 'Need Based Enterprises' in respect of Job order No. 004. 10

Direct Material	4,50,000
Direct Labour	1,50,000

The work order has to pass through two machines of which the particulars are as follows :

Indian Machine – 1000 hours @ Rs. 200 per hour

Chinese Machine – 1500 hours @ Rs. 150 per hour

Office Overhead is to be recovered at 20% of Wages and Selling and Distribution Overheads are to be recovered at 10% of Works Cost. Prepare quotation for Job No. 004, with 20% profit on selling price.

B) A factory produces three products, 'Tine', 'Mine' and 'Fine', which originates from a joint process. The joint costs are as follows : 10

Material	1,00,000
Labour	18,000
Overheads	8,000
Total	**1,26,000**

The subsequent costs are as given below :

Particulars	**Tine**	**Mine**	**Fine**
Materials	7,000	6,500	2,900
Wages	2,100	2,000	1,900
Overheads	900	500	1,200
Total	**10,000**	**9,000**	**6,000**
Sales	1,00,000	70,000	60,000
Estimated profit on sales	20%	30%	40%

Prepare a statement showing apportionment of Joint Costs and ascertain the total cost and profit of each product.

6. Write short notes on **any four** of the following : 20

a) Equivalent production

b) Composite cost units

c) Economic batch quantity

d) Semi-variable expenses

e) Escalation clause.

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