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B.Com. (Semester – V) Examination, October/November 2018
Major – 2 : COST AND MANAGEMENT ACCOUNTING
Techniques of Costing

Duration : 2 Hours Total Marks : 80

Instructions : *1) Question No. **1** is **compulsory**.*
*2) Answer **any 3** questions from Q. No. **2** to Q. No. **6**.*
*3) Give working notes **wherever** necessary.*
*4) **All** questions carry **equal** marks.*

1. From the following information, prepare a flexible budget to show levels of activity of 80%, 90% and 100%.

1) Sales, based on normal level of activity of 80% are 80000 units at Rs. 20 per unit. If output is increased to 90%, it is thought that the selling price should be reduced by 2½% and if the output reaches 100%, it would be necessary to reduce the original selling price by further 2½% in order to reach a wider market.

2) Prime Cost are :

	Per unit Rs.
Direct material	2.00
Direct labour	2.00
Direct expenses	1.00
	5.00

If output reaches 90% level of activity as above, the quantity discount will be received and this will lead to reduction of purchase price of raw materials by 5%.

3) Variable overheads : Salesman's commission is 5% on sales value.

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4) Semi-variable overheads at normal level of activity are :

	Rs.
Supervision	80,000
Power	70,000
Heat and light	40,000
Maintenance	50,000
Indirect labour	1,00,000
Salesman's expenses	60,000
Transport	2,00,000
	6,00,000

Semi-variable overheads are expected to increase by 5% if output reaches a level of activity of 90% and by a further 5%, if it reaches the 100% level.

5) Fixed overheads are :

	Rs.
Rent and Rates	10,000
Depreciation	40,000
Administration	75,000
Sales department expenses	20,000
Advertising	50,000
General expenses	5,000
	2,00,000

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2. Brightstar Company is considering the purchase of a machine. Two machines A and B are available, the details of which are given below. You are requested to advise the company as to which machine is more profitable under

i) Payback period method

ii) Average rate of return method.

The income tax rate is 50%.

Particulars	**Machine A**	**Machine B**
Cost	Rs. 2,50,000	Rs. 3,00,000
Life	6 years	6 years
Scrap value	Rs. 10,000	Nil

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Profits (before depreciation and taxes)

1st year	1,00,000	80,000
2nd year	1,20,000	1,40,000
3rd year	1,40,000	1,60,000
4th year	80,000	80,000
5th year	1,00,000	80,000
6th year	60,000	60,000

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3. Prepare a Cash Budget for three months ending 30th June 2018, from the following information given below :

a)

Month	**Sales Rs.**	**Materials Rs.**	**Wages Rs.**	**Overheads Rs.**
February	1,40,000	96,000	30,000	17,000
March	1,50,000	90,000	30,000	19,000
April	1,60,000	92,000	32,000	20,000
May	1,70,000	1,00,000	36,000	22,000
June	1,80,000	1,04,000	40,000	23,000

b) Credit term are :

Sales and debtors – 10% sales are on cash, 50% of the credit sales are collected next month and the balance in the following month.

Creditors –	Materials	2 months
	Wages	¼ month
	Overhead	½ month

c) Cash and Bank Balance on 1st April 2018, is expected to be Rs. 60,000.

d) Other relevant information are :

i) Plant and machinery will be installed in February 2018 at a cost of Rs. 9,60,000. The monthly installment of Rs. 20,000 is payable from April onward.

ii) Dividend @ 5% on preference share capital of Rs. 20,00,000 will be paid on 1st June.

iii) Advance to be received for sale of vehicle Rs. 90,000 in June.

iv) Dividends from investments amounting to Rs. 10,000 are expected to be received in June.

v) Income tax (advance) to be paid in June, is Rs. 20,000.

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4. a) A manufacturing company submits the following figures for the first quarter of 2018.

Particulars	**Product X**	**Product Y**	**Product Z**
Sales in (Units)			
January	25,000	30,000	10,000
February	20,000	25,000	10,000
March	30,000	35,000	10,000
Selling price per unit (Rs.)	10	20	40
Targets for 1st quarter of 2018 :			
Sales quantity increase	20%	10%	10%
Sales price increase	Nil	10%	25%

You are required to prepare the sales budgets for the first quarter of 2018. **10**

b) What are the advantages of uniform costing system ? Also explain briefly its limitation. **10**

5. a) Define management accounting. Enumerate various tools and techniques of management accounting. **10**

b) Explain the essential requisites for installation of a uniform costing system. **10**

6. Write short notes on the following (**any four**) :

a) Limitation of management accounting.

b) Uniform costing manual.

c) Objectives of management accounting.

d) Methods of evaluation of capital budgeting.

e) Master budget.

f) Management Accountant. **20**

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