



**B.Com. (Semester – V) Examination, April/May 2019**  
**Major – 2 : COST AND MANAGEMENT ACCOUNTING**  
**Techniques of Costing (New Course)**

Duration : 2 Hours

Total Marks : 80

**Instructions :** 1) Question No. 1 is **compulsory**.

2) Answer **any 3** questions from Q. No. 2 to No. 6.

3) Give working notes **wherever** necessary.

4) **All** questions carry **equal** marks.

1. "Solitaire Ltd." working at 50% capacity manufactures 20,000 units of a particular product. You are provided with the break-up of the per unit cost of production which is as follows :

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Particulars	Per unit Amount
	(in Rs.)
Direct Material	75.00
Direct Labour	22.00
Direct Expenses	4.50
Variable overheads	15.00
Administration overheads (100% fixed)	5.50
Selling overheads (30% fixed)	21.00
Distribution overheads (50% variable)	<u>8.00</u>
<b>Total cost</b>	<b>151.0</b>
Profit	29.00
Sales	180.00

**Additional Information :**

- 1) At 70% working, the direct material cost goes up by 3% and selling price also increases by 3%.
- 2) At 90% working the direct material cost increases by 5% and selling price also increases by 5% from, the base level.

Prepare a flexible budget at 70% and 90% capacity levels in per unit and total.



2. A company has the option of investing in any one of the following projects :  
Project 'A' and Project 'B'.

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Details about the investment and returns from the project are as follows :

Particulars	Project	Project
	A	B
Initial Capital Investment	20,000	23,000
Life in years	5	5
Tax rate	50%	50%
Forecast of annual income before depreciation and taxes		
Year 1	16,000	17,000
Year 2	17,000	17,500
Year 3	18,500	18,000
Year 4	17,500	16,000
Year 5	17,000	16,000

Comment on the profitability of the above projects by using :

- Pay back period method.
  - Average rate of return method.
3. From the following information furnished by "A1 – Foods Ltd.", prepare a cash budget for the quarter ending on December 2018

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Months	Sales (in Rs.)	Purchases (in Rs.)	Wages (in Rs.)	Factory overheads (in Rs.)	Administration and Selling overheads (in Rs.)
August	1,40,000	90,000	20,000	10,000	9,000
September	1,50,000	90,000	30,000	8,000	12,000
October	1,60,000	96,000	25,000	10,000	10,000
November	1,70,000	95,000	36,000	10,000	12,000
December	1,80,000	1,00,000	45,000	13,000	12,000



**Additional Information :**

- 1) 20% of the sales are on cash basis, 40% of total sales are collected in the next month and the balance in the following month.
- 2) Suppliers offer a credit of 2 months.
- 3) Wages are paid with a time lag of  $\frac{1}{2}$  month.
- 4) Overheads are paid in the same month.
- 5) The firm purchased a vehicle costing Rs. 9,00,000. The monthly installment of Rs. 25,000 is payable from September, 2018.
- 6) Advance rent for new factory building Rs. 30,000 is to be paid in December.
- 7) A sales commission of 2% on total sales is to be paid in the month of sales itself.
- 8) The opening balance of cash on October 1<sup>st</sup> is expected to be Rs. 85,000.

4. A) "Sunlite Industries Ltd." is engaged in the manufacturing of two products "Q<sub>1</sub>", and "Q<sub>2</sub>".

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Product "Q<sub>1</sub>" requires 5 Kgs. of material 'A' and 3 Kgs. of material 'B'.

Product "Q<sub>2</sub>" requires 8 Kgs. of material 'A' and 5 Kgs. of material 'B'.

Materials "A" and "B" are available in the market @ Rs. 5/- and Rs. 10/- per Kg. respectively.

Considering the above mentioned points and the following data supplied by the firm, prepare a production budget for the finished products and materials purchase budget for raw materials 'A' and 'B'.

Particulars	Finished Products (units)		Materials (units)	
	"Q <sub>1</sub> "	"Q <sub>2</sub> "	'A'	'B'
Estimated sales during budget period	10,000	15,000	—	—
Estimated opening stock during budget period	2,000	3,000	4,000	3,500
Estimated closing stock during budget period	5,000	2,000	2,000	3,000

- B) Explain the significance of Management Accounting.

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5. A) What is Inter-firm comparison ? Explain its merits and limitations. 10  
 B) Define Management Accounting. Explain its various techniques. 10
6. Write short notes on **any 4 (four)** from the following : (4×5=20)
- Uniform costing manual
  - Sales budget
  - Advantages of Uniform Costing
  - Significance of capital budgeting
  - Advantages of discounted cash flow techniques of capital budgeting.
  - Functions of a management accountant.