

**B.Com. (Semester – V) Examination, October 2015
Major 2 : COST AND MANAGEMENT ACCOUNTING
Methods and Techniques of Costing – I
(Old Course)**

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. The following is the Trial Balance of Ragini Construction Company Limited engaged in the execution of Contract No. 567 for the year ended 31st March, 2015.

Trial Balance as on 31st March, 2015

Particulars	Debit (Rs.)	Credit (Rs.)
Contractees Account (75% of work certified)		
(cash received)		5,40,000
Accumulated Depreciation Account		75,000
Creditors		18,000
Buildings	3,00,000	
Bank balance	67,500	
Share Capital		7,50,000
Materials	3,00,000	
Wages	2,70,000	
Expenses	70,500	
Plant	3,75,000	
	13,83,000	13,83,000

P.T.O.



The work on Contract No. 567 was commenced on 1st April 2014.

Material costing Rs. 2,55,000 were sent to the site of the contract but those costing Rs. 9,000 were destroyed in accident. Plant costing Rs. 75,000 was used on contract all through the year. Plant with a cost of Rs. 3,00,000 was used from 1st April, 2014 to 31st December, 2014 and was then returned to store.

The contract was for Rs. 9,00,000 and the contractees pay 75% of the work certified. The cost of the work uncertified was estimated to be Rs. 22,500 on 31st March, 2015 on which date material costing Rs. 6,000 were at the contract site. Expenses are charged to the contract at 25% of wages. Plant is to be depreciated at 10% according to the straight line method.

Prepare a Contract Account No. 567 for the year ended 31st March, 2015 and also prepare Balance Sheet of Ragini Construction Company Limited as on 31st December, 2015.

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2. Ghatge and Ghatge Transport Company supplies the following details in respect a truck of 10-tone capacity.

	Rs.
Cost of truck	9,00,000
Estimated life	10 years
Diesel, oil, grease etc.	150 per trip each way
Repairs	5,250 per month
Maintenance	6,000 per month
Cleaner's wages	5,500 per month
Driver's wages	15,250 per month
Garage rent	60,000 per year
Insurance	48,000 per year
Road License	24,000 per year
Tax	36,000 per year
Manager salary	1,08,000 per year

The truck carries goods to and from city covering a distance of 100 Kilo Meter each way. While going to city, the freight is available to the extent of full capacity and on return 40% of capacity.

Assuming that the truck runs on an average 25 days a month, work out :

- a) Operating cost per tonne – Kilo Meter and
- b) Rate per trip that the company should charge if profit of 25% on cost is to be earned.

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3. R.D. Sharma Company Ltd. is manufacturing Hi-Tech Pens. It has prepared a six-monthly budget, which shows the following particulars :

Sales 80000 pens @ Rs. 40 per unit

Variable costs :

Materials Rs. 12 per unit
Labour Rs. 2 per unit
Indirect materials Rs. 1 per unit
Manufacturing overhead Rs. 0.50 per unit

Semi-variable costs :

Manufacturing (40% fixed) Rs. 1,20,000
Maintenance (20% variable) Rs. 80,000
Administration (80% fixed) Rs. 1,60,000

Fixed costs :

Depreciation Rs. 1,40,000
Administration Rs. 1,00,000
Selling Rs. 1,30,000

It is decided to provide free gift along with sale of pens. It is estimated that this gesture on the part of the company would boost up sale to 120000 units.

Prepare a flexible budget for 80000 units, 100000 units and 120000 units and determine the profit or loss at these levels.

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4. A) A company is expecting to have Rs. 70,000 cash in hand on 1st April, 2015 and it requires to prepare a cash budget for three months, April to June 2015. The following information is available :

Month	Sale (Rs.)	Purchases (Rs.)	Wages (Rs.)	Expenses (Rs.)
February	1,40,000	80,000	16,000	12,000
March	1,60,000	1,00,000	16,000	14,000
April	1,84,000	1,04,000	18,000	14,000
May	2,00,000	1,20,000	20,000	16,000
June	2,40,000	1,10,000	24,000	18,000



Other information :

- a) Period of credit allowed by suppliers two months.
 - b) 25% of the sales are for cash and period of credit allowed to customers for credit sales one month.
 - c) Delay in payment of wages and expenses one month.
 - d) Income tax of Rs. 40,000 is to be paid in June 2015. 10
- B) In manufacturing the main product, a company processes the incidental waste into two by-products X and Y. From the following information prepare a comparative profit and loss statement, showing the individual costs and other details. The total cost up to separation point was Rs. 9,31,200.

Particulars	Main Product		By-Product	
	A	X	Y	
	Rs.	Rs.	Rs.	
Sales	24,00,000	1,92,000	2,88,000	
Costs after separation	2,40,000	38,400	43,200	
Profit percentage to sales value		20%	20%	
Selling expenses as percentage of sale value	20%	10%	15%	10

- 5. A) Explain the scope of management accounting. 10
 - B) Explain the main functions of Management Accounting. 10
6. Write short notes on **any four** :
- a) Flexible budget.
 - b) Special features of Job Costing.
 - c) Cost-plus contract and sub contract.
 - d) Objectives of budgeting.
 - e) Joint product and by-product. (5×4 = 20)