NUC – 05

B.Com. (Semester – V) Examination, October 2015
Major – I : COST AND MANAGEMENT ACCOUNTING
Methods of Costing (New Course)

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. Bonny Electronics Ltd., provides you the following information from its costing records for the year ended 31st March, 2014. Production and sales for the year ending 31st March, 2014 was 15,000 units. **20**

Direct material	Rs. 3,30,000
Factory overhead	Rs. 2,25,000
Sales overhead	Rs. 90,000
Direct wages	Rs. 2,70,000
Administration overhead	Rs. 1,05,000
Sales	Rs. 12,75,000

Due to intense competition in the market, the company had estimated the following changes in the subsequent year ending 31st March, 2015.

a) Production as well as sales activities will increase by one-third over the previous year's level.

b) Direct material rate will be lower by 25%. However, there will be an increase in consumption of direct material by 20% due to quality differences.

c) Direct wages cost would get reduced by 20% due to automation.

d) Off the factory overheads incurred during the year ended 31st March, 2014, Rs. 45,000 was fixed. The remaining factory overheads are variable and will rise in proportion to the number of units produced.

e) Total administrative overhead will be lower by 40%.

f) Sales overhead per unit would remain the same as in the previous year.

g) Sale price per unit would be lower by 20%.

Prepare a Cost Sheet for the year ending 31st March, 2014 and an Estimated Cost Sheet for the year ending 31st March, 2015 showing total as well as per unit cost.

2. Mr. Sony a contractor undertook a Contract No. 14 to construct a Garage on 1st April, 2014. The following is the trial balance of Mr. Sony for the financial year ended 31st March, 2015. **20**

Particulars	Debit (Rs.)	Credit (Rs.)
Mr. Sony's Capital	–	4,00,000
Cash received from the Contractee's (80% of work certified)	–	4,00,000
Creditors	–	25,000
Bank balance	1,00,000	–
Materials	2,20,000	–
Wages	2,00,000	–
Expenses	65,000	–
Plant	2,40,000	–
	8,25,000	**8,25,000**

Additional information :

a) Materials costing Rs. 2,10,000 were sent to the site of the contract but those costing Rs. 6,000 were destroyed in an accident.

b) Wages of Rs. 2,00,000 were paid on contract no. 14 during the year.

c) Plant costing Rs. 40,000 was used on the contract all through the year.

d) Another plant with a cost of Rs. 2,00,000 was used from 1st April, 2014 to 31st December, 2014 and was then returned to the stores.

e) Materials costing Rs. 5,000 were at site as on 31st March, 2015.

f) The contract was for Rs. 8,00,000 and the contractee pays 80% of the work certified.

g) Uncertified work was estimated at Rs. 22,000 on 31st March, 2015.

h) Expenses are charged to contract no. 14 at 30% of wages.

i) All the plants are to be depreciated @ 20% per annum.

Prepare Contract No. 14 account for the year ending 31st March, 2015 and the balance sheet of the contractor as on 31st March, 2015.

3. Patel Transport Company has been given a thirty kilometers long route to ply a bus. The bus costs the company a sum of Rs. 25,00,000. It has been insured at 6% per annum. The annual road tax amounts to Rs. 90,000. Garage rent is Rs. 3,000 per month. Annual repairs are estimated to cost Rs. 1,08,000. The bus will have a life of ten years and at the end of which it will be sold as scrap for Rs. 1,00,000.

The salary of the driver and the conductor are Rs. 18,000 and Rs. 15,000 per month respectively in addition to 10% of the takings as commission to be shared by the driver and the conductor equally. The manager's salary is Rs. 12,000 per month and stationery will cost Rs. 2,000 per month. Diesel and lubricants will cost Rs. 80 per 10 kilometers. Tyres and tubes will cost Rs. 0.80 per kilometre. The bus will make three round trips per day carrying on an average 50 passengers in each trip. Assuming 20% profit on takings and the bus will ply on an average 25 days a month.

Prepare operating cost statement for the month and also calculate the bus fare to be charged per passenger kilometre. **20**

4. The product of a company passes through three distinct processes for completion. The processes are known as Process A, Process B and Process C. The following information is obtained from the costing records of the company for the year ended 31st March, 2015. **20**

Particulars	Process A (Rs.)	Process B (Rs.)	Process C (Rs.)
Raw materials introduced in Units	12,000	2,440	2,600
Cost of raw materials per unit (Rs.)	15	10	12
Direct wages	34,000	29,000	15,000
Production overheads	25,760	16,280	15,880
Normal loss (% of the total number of units entering the process concerned)	4%	5%	3%
Wastage (% of the total number of units entering the process concerned)	6%	5%	4%
Scrap value of wastage per unit (Rs.)	3	4	5
Output transferred to the subsequent process	70%	60%	Nil
Output sold at the end of the process	30%	40%	100%
Selling price per unit (Rs.)	25	30	35

Prepare Process A, B and C accounts and also calculate the cost of output per unit in each process.

5. i) In manufacturing the main product 'Alpha', a company processes the resulting waste material into two by-products: Beta and Gama. Using reverse cost method of by-products, prepare a Comparative Profit and Loss statement of the three products from the following data and also prepare a statement to apportion the joint cost. **10**

Total cost upto separation point (Joint Cost) was Rs. 98,000.

Particulars	**Alpha**	**Beta**	**Gama**
Sales (all production)	Rs. 1,80,000	Rs. 32,000	Rs. 48,000
Cost after separation	–	Rs. 9,600	Rs. 14,200
Estimated net profit percentage to sale value		20%	30%
Estimated selling expenses as percentage of sales value	20%	10%	20%

5. ii) The information given below has been taken from the cost records of a factory in respect of Job No. 24. **10**

Direct Materials Rs. 18,000

Direct wages :

Department P : 12 hours @ Rs. 40 per hour
Department Q : 10 hours @ Rs. 50 per hour
Department R : 8 hours @ Rs. 75 per hour

The variable overheads were as follow :

Department P : Rs. 25,000 for 2,500 hours
Department Q : Rs. 30,000 for 5,000 hours
Department R : Rs. 20,000 for 2,500 hours

Fixed overheads estimated for the job were Rs. 50,000 for 10,000 working hours.

Prepare a Job Cost Sheet for Job No. 24 showing the total cost of the job and also calculate the price of the job so as to give a profit of 20% on selling price.

6. Answer **any four** of the following : **(4×5=20)**

i) What is unit costing ? Give any four industries in which this method of costing is applied.

ii) Write a short note on "Economic Batch Quantity".

iii) Explain the classification of costs in Electricity Costing.

iv) Write a short note on "Joint Products".

v) Explain the terms : Abnormal Gain and Abnormal Loss.