B.Com. (Semester – V) Examination, April 2018
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. A company manufacturing water bottles provides the following data for the year ended 31[st] March 2017 for 2,000 such items : **20**

Particulars	**Rs.**
Raw materials	44,000
Direct labour	36,000
Factory overheads	50,000
Administrative overheads	23,200
Selling and distribution overheads	12,000
Sales	2,00,000

The management of the company approached the costing department to find out the cost of 3,000 water bottles to be sold during the year ended 31[st] March 2018. The estimates in this connection are as follows :

i) An increase of 10% is expected in the cost of raw materials and 5% in the cost of direct labour.
ii) 70% of the factory overheads are fixed and 30% are variable.
iii) There is no change in the administrative overheads due to change in output.
iv) Half of the selling and distribution overheads are fixed.
v) The management desires to charge 25% profit on the selling price.

Prepare :

A) Cost sheet for the year ended 31[st] March 2017, showing cost as well as profit per unit.
B) Estimated cost sheet for the year ended 31[st] March 2018, showing the price at which water bottles should be sold.

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2. M/s Universal Builders undertook a building project at a contract price of Rs. 24,00,000 on 1st April 2016. For the year ended 31st March 2017, the contract account showed the following details : **20**

Particulars	**Rs.**
Materials issued from the stores	1,60,000
Materials bought directly to site	5,20,000
Wages paid	1,60,000
Direct expenses	1,20,000
Site office costs	60,000
Plant issued to site	2,60,000
Cost of sub-contracts	40,000
Contractee's account (being 90% of work certified)	18,00,000

The following additional information was available :

i) Some materials costing Rs. 10,000 was destroyed by fire during the year.

ii) The working life of the plant is estimated to be 5 years at the end of which it is estimated to realize Rs. 20,000 as scrap value. This plant is used for this contract only.

iii) On 31st March 2017, outstanding wages and direct expenses were Rs. 4,000 and Rs. 8,000 respectively and materials in hand amounted to Rs. 48,000.

iv) The cost of uncertified work at the end of the year was Rs. 80,000.

v) A supervisor who is paid Rs. 12,000 per month, has devoted only half of his time on this contract during the year.

A) Prepare contract account for the year ended 31st March 2017.

B) Show relevant entries from the Balance Sheet as on 31st March 2017.

3. The Vierna Chemical Company produced three chemicals during the month of July 2017, by three consecutive processes. In each process, 2% of the total weight put in was lost and 10% was scrap which from process A and B realizes Rs. 100 per ton and process C realizes Rs. 20 per ton. **20**

The details of the three processes were as given below :

Particulars	**A**	**B**	**C**
Raw materials introduced (in tons)	1,000	140	1,348
Total cost of raw materials introduced (Rs.)	1,20,000	28,000	1,07,840
Manufacturing expenses (Rs.)	20,500	18,520	15,000
Other overheads (Rs.)	10,300	7,240	3,848
Output passed on to the next process	75%	50%	–
Output sold	25%	50%	100%
Sale price of output (Rs.)	175	225	150

Prepare the three process accounts, showing the cost per ton of each product. Also prepare the profit and loss account.

4. A transport company has been given 40 kilometres long route to run 5 buses. The cost of each bus is Rs. 19,50,000. Each bus will make 3 round trips per day carrying an average 80 percent passengers of their seating capacity. The seating capacity of each bus is 40 passengers. The bus will run an average 25 days in a month. The other information of the year 2016-17 is given below. **20**

Garage rent (for 5 buses)	Rs. 6,000 per month
Annual repairs and maintenance	Rs. 22,500 per bus
Lubricant oil (for 5 buses)	Rs. 3,000 per month
Driver's salary	Rs. 12,000 each per month
Conductor's salary	Rs. 10,000 each per month
Manager's salary	Rs. 7,500 per month
Road tax and toll fees	Rs. 5,000 per month per bus
Office expenses	Rs. 3,000 per month
Cost of diesel per litre	Rs. 56
Kilometres run per litre	6 kilometres
Annual depreciation	15% of cost
Annual insurance	3% of cost

You are required to calculate the bus fare to be charged from each passenger per kilometer, if the company wants to earn profits of $33\frac{1}{3}$ percent on takings.

5. A) From the following details, prepare statement of equivalent production and statement of cost per unit, assuming FIFO method. **10**

Units introduced into the process – 10,000 units

There are 900 units in the closing work-in-progress and completed were 8,100 units

Normal loss 10% of units introduced, Scrap value realized Rs. 9 per unit.

The stage of completion is estimated to be :

Materials – (100% complete)

Labour – (70% complete)

Overheads – (40% complete)

Current cost incurred in the process :

Materials Rs. 81,000, Labour Rs. 37,800 and overheads Rs. 18,000.

B) The information is given below has been taken from the cost records of an engineering works in respect of the job No. 501. **10**

Materials – Rs. 8,520

Wages :

Department A – 120 hours @ Rs. 5 per hour

Department B – 80 hours @ Rs. 4 per hour

Department C – 40 hours @ Rs. 6 per hour

The overhead expenses are as follows :

Variable : Department A – Rs. 4,000 for 2,000 hours

Department B – Rs. 13,500 for 3,000 hours

Department C – Rs. 2,000 for 2,000 hours

Fixed expenses Rs. 14,000 for 7,000 hours

Calculate the cost of the job no. 501 and the price for the job to be given at a profit of 25 percent on the selling price.

6. Answer **any four** of the following : **20**

a) Give five examples each of factory overheads and office overheads.

b) Describe the main features of process costing.

c) Briefly explain 'profit on incomplete contracts'.

d) Write a short note on cost units applicable to service costing.

e) Briefly explain 'joint products'.
