

B. COM DEGREE END SEMESTER EXAMINATION : MARCH 2023**SEMESTER 6 : COMMERCE****COURSE : 19U6RCOM19: APPLIED COST ACCOUNTING***(For Regular - 2020 Admission and Supplementary - 2019 Admission)*

Time : Three Hours

Max. Marks: 75

PART A**Answer any 10 (2 marks each)**

1. What is Job Cost Sheet?
2. Udaya Ltd assembles electronic units for a customer. Annual requirement 30,000 units. Set up cost Rs. 80 per set up. Holding cost (i) variable cost per unit Rs.12 (ii) fixed interest on capital tied up 15% per year. Calculate total cost per year when the batch sizes of 500, 1,000, 1,500, 2,000 and 2,500 units are considered.
3. Vinoba travels Ltd. runs the following fleet of buses within the limits of Rickshnagar:
10 buses of 50 passenger capacity each
15 buses of 40 passenger capacity each
On an average, each bus makes 10 trips a day covering a distance of 8 km in each trip. Normally 75% of the seats are occupied. All the buses run for 30 days in a month. But the annual records show that 5 buses are kept off the roads each day for repairs. Calculate the effective passenger km for the month of March 2022.
4. Explain the different methods of computation of profit on incomplete contracts.
5. Calculate the profit which can be credited to profit and loss account.

Notional profit	Rs.67,600
Percentage of work completed	24%
Percentage of cash received	80%

6. Name five industries in which process costing is used.
7. Define joint products.
8. What is angle of incidence?
9. What is margin of safety?

10.	Sales	Rs.1,00,000
	Profit	Rs.20,000
	p/v ratio	50%

Find out BEP

11. Distinguish between forecast and budget.
12. State the main objectives of budgetary control.

(2 x 10 = 20)**PART B****Answer any 5 (5 marks each)**

13. Following direct costs were incurred on Job No. 605 of a company.
Material ₹ 8,020.

Wages:

- Department A 60 hours at ₹ 6 per hour
- Department B 40 hours at ₹ 4 per hour
- Department C 20 hours at ₹ 10 per hour

Overhead expenses for these three departments were estimated as follows:

Variable overhead:

- Department A ₹ 10,000 for 5,000 labour hours.
- Department B ₹ 6,000 for 1,500 labour hours.
- Department C ₹ 4,000 for 500 labour hours.

You are required to calculate the cost of Job No. 605 and price to be quoted for the Job to give a profit of 25% on selling price.

14. Compute cost per running kilometre from the following data of a truck.

Estimates life of vehicle : 1,00,000 kms
 Annual running kilometres : 15,000 kms

Rs.

Cost of vehicle 25,00,000
 Road License (Annual) 75,000
 Insurance (Annual) 60,000
 Garage rent (Annual) 30,000
 Supervision and salaries (Annual) 1,60,000
 Driver's wages per hour 300
 Cost of fuel per litre 90
 Repairs and maintenance per km 3
 Tyre allocation per km 2

Charge interest at 5% per annum on cost of vehicle. The vehicle runs 30 kms per hour on an average and one litre of fuel gives 20km mileage.

15. In manufacturing the main product A, a company processes the resulting waste material into two by-products, B1 and B2. Using reverse cost method of by-products, prepare a Comparative Profit and Loss Statement of the three products from the following data: Total cost upto separation point was Rs.68,000.

	A	B1	B2
Sales (all production)	1,64,000	16,000	24,000
Cost after separation		4,800	7,200
Estimated net profit percentage to sale value		20%	30%
Estimated selling expenses as percentage of sales value	20%	20%	20%

16. What is abnormal loss and abnormal gain? Explain the treatment of abnormal loss and abnormal gain in process cost accounts.
17. What is P/V ratio? How is it calculated?

18. A company has fixed expenses of Rs.90,000 with sales at Rs. 3,00,000 and a profit of Rs. 60,000 during the first half year. If in the next half year the company suffered a loss of Rs. 30,000, Calculate:
- The P/V ratio, Break even point and margin of safety for the first half year.
 - Expected sales volume for next half year assuming that selling price and expenses remain unchanged.
 - The break even point and margin of safety for the whole year.
19. Define budgetary control. What are its advantages and limitations?
20. The following are the estimated transaction of Z Ltd. for the forthcoming period from March 2019 to September 2019:

Month	Sales ₹	Purchases ₹	Wages ₹	Production overhead ₹	Administration Overheads ₹	Selling overheads ₹
March	3,45,000	1,10,000	44,000	35,000	27,000	25,000
April	3,66,000	1,23,000	47,000	40,000	28,000	27,000
May	3,91,000	1,34,000	50,000	44,000	28,000	30,000
June	4,12,000	1,56,000	53,000	47,000	29,000	34,000
July	4,39,000	1,47,000	58,000	51,000	30,000	36,000
August	4,52,000	1,53,000	62,000	54,000	32,000	38,000
September	4,11,000	1,45,000	66,000	59,000	32,000	40,000

Additional Information

- Cash sales are 50% of total sales. Half of credit sales is expected to be received in the month following sales and the other half of credit sales is expected to be collected in the second month following sales.
- All purchases are on credit and expected to be paid in the second month following the purchase.
- All wages are paid in the first week of the next month following the month in which wages are incurred.
- Half of all overheads are paid in the same month and the rest is paid in the following month.
- A dividend of ₹ 60,000 is declared in the month of April and is expected to be paid in the month of June.
- Machinery is purchased for ₹1, 00,000 in March; 2019.payment is expected to be made in two equal instalments in the months of May and June.

vii. Advance tax payable is ₹ 75,000 per quarter in June and September.

viii. Cash balance expected on 1st may 2019 is ₹ 45,000.

Prepare a cash budget for 5 month from May 2019

(5 x 5 = 25)

PART C

Answer any 3 (10 marks each)

21. What is performance budgeting? Describe the various steps in performance budgeting. Explain the advantages and disadvantages.
22. M/s Sriram building contractors began to trade on 1st January 2021. The following was the expenditure on a contract for Rs 9,00,000

	<u>Rs</u>
Materials issued from stores	2,25,500
Materials purchased	60,500
Plant installed at cost	1,05,000
Wages paid	3,60,000
Direct expenses paid	33,000
Establishment expenses	30,000
Wages accrued on 2021 December 31 st	7,500

Of the plant and materials charged to contract, the plant which cost Rs 7,500 and materials costing Rs 6,000 were lost. Materials costing Rs 3,750 were sold at a profit of Rs 750. On December 31st, the plant costing Rs 5,250 was returned to store.

Work certified was Rs 7, 20,000 and 80 % of the same was received in cash. The cost of work done but not certified was Rs 4,500. Charge depreciation on plant at 10% per annum.

Prepare the contract account.

23. The finished product of a manufacturing company passes through three processes – I , II and III. The normal wastage in each process is 5%, 7% and 10% for the processes I, II and III respectively – calculated with reference to the number of units fed into each process. The scrap generated out of wastage has a sale value of 70 paise per unit, 80 paise per unit and Rs.1 per unit in the process I, II and III respectively. The output of each process is transferred to the next process and the finished product emerges from the process III and transferred to stock. There was no stock of work in progress in any process in a particular month. The details of cost data for the month are given below-

	I	II	III
Materials used	1,20,000	40,000	40,000
Direct labour cost	80,000	60,000	60,000
Production expenses	40,000	40,000	28,000
Output (in units)	38,000	34,600	32,000

Process I was fed with 40,000 units of raw input at a cost of Rs.3,20,000. Prepare the necessary accounts.

24. Present the following information to show to the management

1. Marginal product cost and contribution per unit
2. The total contribution and profit resulting from each of the following sales mixture
3. The proposed sales mix to earn a profit of Rs 250 and Rs.300 with total sales of A & B being 300 units

Particulars	Product A	Product B
Direct material (per unit)	10	9
Direct wages (per unit)	3	2
Selling price (per unit)	20	15

Fixed expenses Rs.800

Variable expenses are allocated to product as 100% of direct wages Sales mixture

- a) 100 units of product A and 200 units of product B
- b) 150 units of product A and 150 units of product B
- c) 200 units of product A and 100 units of product B

Recommend which of the above sales mixture should be adopted.

25. Following are the budget expenses for the production of 10,000 units of a product.

Particulars	Per unit cost
Materials	75
Labour	15
Variable Overhead	20
Fixed Overhead (Rs. 1,00,000)	10
Direct expenses variable	10
Selling expenses (10% fixed)	12
Distribution expenses	8
Administration expenses (Rs. 60,000)	6

Prepare a budget for 6,000 units and 8,000 units. Administration expenses are fixed for all levels of production.

(10 x 3 = 30)