

**B.COM. DEGREE END SEMESTER EXAMINATION - MARCH 2018****SEMESTER – 6: COMMERCE (CORE COURSE)****COURSE: 15U6RCOM15: APPLIED COST ACCOUNTING***(For Regular - 2015 Admission)*

Time: Three Hours

Max. Marks: 75

**SECTION A***Answer all questions. Each question carries two marks.*

1. What is retention money?
2. What is job costing?
3. Describe the features of process costing.
4. What is absorption costing?
5. Explain the treatment of plant and machinery in contract costing.
6. What is budget manual?
7. What are by-products?
8. What is ZBB?
9. From the following data, calculate margin of safety.  
Sales Rs 10,00,000, fixed expenses Rs 3,00,000 and profit Rs 2,00,000.
10. Compute economic batch quantity for a company using the following information.  
Annual demand for the component 24,000 units  
Setting up cost Rs 120  
Carrying cost Rs 0.36 (2 x 10 = 20)

**SECTION B***Answer any five questions. Each question carries five marks.*

11. Describe the procedure of recording cost under job order costing.
12. Explain different methods of computation of profit on incomplete contracts.
13. Product A is obtained after it passes through three distinct processes. 2000 Kgs. of materials were issued to the first process at a cost of Rs 8,000. Direct wages amounted to Rs 13,000 and production overhead incurred was Rs 6,500. Normal loss is estimated at 10% of input. This wastage is sold at Rs. 2.50 per Kg. The actual output was 1,700 Kgs. Prepare Process I account.
14. You are given the following data.

Year	Sales( Rs)	Profit(Rs )
2015	1,20,000	8,000
2016	1,40,000	13,000

Calculate:-

- i. P/V ratio
- ii. Breakeven point
- iii. Profit when sales are RS 1,80,000
- iv. Sales required to earn a profit of Rs 12,000
- v. Margin of safety in 2016

15. A firm of building contractors began to trade on 1<sup>st</sup> April 2016. The following was the expenditure on a contract for Rs. 4, 50,000.

	<u>Rs</u>
Materials issued to contract	76,500
Plant used for contract	22,500
Wages	1, 21,500
Other expenses	7,500

Cash received on account up to 31<sup>st</sup> March 2017 amounted to Rs 1,92,000; being 80% of the work certified. Of the plant and materials charged to contract, plant which costing Rs. 4,500 and materials costing Rs 3,750 were lost.

On 31<sup>st</sup> March plant costing Rs 3,000 was returned to store, cost of work uncertified was Rs 1,500 and materials costing Rs 3,450 were in hand. Charge 15% depreciation on plant.

Prepare contract account.

16. From the following information prepare a cash budget for April, May and June 2017.

month	Cash sales	Credit sales	Cash purchase	Credit purchase	Manuf. expenses	Admn. expenses
Feb	30,000	90,000	22,000	60,000	6,000	3,000
March	42,000	86,000	23,000	52,000	7,000	3,000
April	35,000	92,000	20,000	50,000	5,000	3,200
May	48,000	80,000	28,000	48,000	4,000	3,400
June	32,000	98,000	72,000	46,000	3,000	3,200

Additional information:-

- Credit sales are collected in the next month and credit purchases are paid after two months
  - Half of the manufacturing expenses is paid only next month
  - Administrative expenses is paid next month
  - Cash balance on 1<sup>st</sup> April 2017 was Rs 9600
17. From a joint process, 500 units of product P, 300 units of Q and 200 units of R are obtained which have market value of Rs 40, 50 and 30 per unit respectively. The post split off cost was Rs 5,000 for P, Rs 5,000 for Q and Rs 1,000 for R. The joint cost amounted to Rs 18,000. Apportion joint cost among the products on the basis of market value after further processing.

(5 × 5 = 25)

### SECTION C

*Answer **any three** questions. Each question carries **ten** marks*

- Explain the different methods of accounting of joint products.
- “The technique of marginal costing is a valuable aid to management”. Discuss.
- The finished product of a manufacturing company passes through three processes viz. I, II and III. The normal wastage in each process is 20%, 5% and 10% respectively. The wastage of process I and II is sold at Rs 20 per 100 units and III at Rs 160 per 100 units. The details of cost data are given below.

	<u>Processes (Rs)</u>		
	I	II	III
Materials used	24,000	16,000	8,000
Direct labour	32,000	24,000	12,000
Production expenses	4,000	4,000	6,000
Other factory expenses	7,000	7,600	8,400
Output in units	19,500	18,800	16,000

Process I was fed with 20,000 units of raw input at cost of Rs.40,000. Prepare process accounts.

21. The expenses budgeted for production of 1,000 units in a factory is furnished below.

	<u>Rs (per unit)</u>
Direct materials	120
Direct labour	80
Variable overheads	20
Fixed overheads	16
Administration expenses (10%variable)	15
Selling and Distribution expenses (20% variable)	<u>12</u>
<b>Total cost</b>	<b><u>263</u></b>

Prepare a flexible budget for production of 1200 units.

22. A company manufacturing small assemblies to order and has the following budgeted overheads for the year 2016 based on normal activities level.

<u>Department</u>	<u>Budgeted overhead</u>	<u>Basis of apportionment</u>
Blanking	9,000	1,500 labour hours
Machining	25,000	2,500 machine hours
Welding	9,000	1,800 labour hours
Assembly	5,000	1,000 labour hours

Selling and distribution overheads are 20% of factory cost. An order for 250 assemblies made as a Batch incurred the following costs.

Materials Rs 6,000

Labour:

130 hours on Blanking dept. @ Rs 2 per hour

450 hours on Machining dept. @ Rs 2.50 per hour

90 hours on Welding dept. @ Rs 2 per hour

170 hours on Assembly dept. @ Rs 2 per hour

Rs 800 were paid for the hire of special equipment used for testing. The time booking in the Machining department was 640 machine hours.

Calculate total cost of the batch, the unit cost and profit per assembly if selling price were Rs 80 per assembly. (10 x 3 = 30)

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