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Bachelor of Commerce 4th Semester

(2053)

COST MANAGEMENT

Paper : BCM-404

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :—Attempt any **FOUR** questions from Section A. Each question carries **5** marks. Attempt any **TWO** questions each from Sections B and C. Each question carries **15** marks.

SECTION—A

1. Discuss the significance of Cost Management.
2. From the following information, you are required to calculate Economic Batch Quantity :

Annual demand for the product 40,000 units

Setup cost per batch Rs. 750

Carrying cost per unit annum Rs. 15

3. A canning merchant supplies you the following production data during the year 2022 :

Grades	Units Produced
A	5,000
B	8,000
C	10,000

The Pre-separation cost incurred was Rs. 2,07,000. The joint cost is apportioned on technical evaluation based on the proportion of 5 : 3 : 2 to three grades respectively. Apportion the joint cost.

4. The following information has been given in the case of 'XYZ' company :

No. of Units sold	500
Selling price per unit	Rs. 25
Variable cost per unit	Rs. 10
Fixed cost	Rs. 4,500

Compute the amount of profit of the company at this level of production and sale. If the Company increases its sales by 30%, what would be the amount of profit of the company ?

5. Production cost of a factory for a year is as follows :

Direct wages	Rs. 40,000
Direct materials	Rs. 60,000

Materials returned to stores

Site wages

Site office expenses

Plant transferred to site

Plant returned from site

Consulting and design fees

Sub contract work

Central Office Overhead @ 10% Site Wages

The year-end figures were in respect of Contract No. 999 of L & T Construction Ltd.

	Rs.
Plant at site	18,000
Material at site	10,000
Prepayments	2,000
Accruals	3,000
Cost of work done but not certified	35,000
Value of work certified by Architect	8,63,000

On account payment received by L & T Construction Ltd. less 10% retention money; prepare :

- Contract Account
- Profit and Loss on Contract Account
- Customer's Account.

9. Explain the following :—
- Activity based costing
 - Inter firm costing
 - Batch costing.
10. Discuss the various methods of cost determination. Which method would you suggest and why ?

SECTION—C

11. Discuss the usefulness and limitations of P/V Ratio. Why margin of safety should be analysed for decision making ?
12. From the following data, forecast the cash position at the end of April, May and June 2022 :

Month	Sales Rs.	Purchases Rs.	Wages Rs.	Miscellaneous Rs.
February	60,000	42,000	5,000	3,500
March	65,000	50,000	6,000	4,000
April	40,000	52,000	4,000	3,000
May	58,000	53,000	5,000	6,000
June	44,000	40,000	4,000	3,000

Additional Information :—

- (1) Sales : 10% realized in the month of sales; balance realised equally in two subsequent months.

- (2) Purchases : These are paid in the month following the month of supply.
 - (3) Wages : 10% paid in arrears following month.
 - (4) Miscellaneous expenses : Paid a month in arrears.
 - (5) Rent : Rs. 500 per month paid Quarterly in advance due in April.
 - (6) Income Tax : First instalment of advance tax Rs. 15,000 due on or before 15th June.
 - (7) Income from Investment : Rs. 3,000 received quarterly in April, July etc.
 - (8) Cash in hand : Rs. 3,000 on 1st April, 2022.
13. The details regarding the composition and the weekly wage rates of labour force engaged on a job scheduled to be completed in 30 weeks are as follows :

Category of Workers	Standard		Actual	
	No. of Workers	Weekly Wage Rate per Worker	No. of Workers	Weekly Wage Rate per Worker
Skilled	75	60	70	70
Semi-Skilled	45	40	30	50
Unskilled	60	30	80	20

The work was actually completed in 32 weeks. Calculate the various labour variances.

14. Discuss the usefulness of following :

- (a) Differential Costing
- (b) Standard Yield
- (c) Performance Budget.