

(i) Printed Pages: 7

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Bachelor of Commerce 4th Semester
(2042)

COST MANAGEMENT

Paper : BCM-404

Time Allowed : Three Hours]

[Maximum Marks : 80

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

SECTION—A

1. What do you understand by Process Losses ? Give their accounting treatment.
2. Write a note on Value Chain Analysis.
3. Two similar plants are working under the same management. Following particulars are given :

	PLANT-I	PLANT-II
Capacity operation	100 percent	60 percent
Sale	300 lacs	120 lacs
Variable Cost	220 lacs	90 lacs
Fixed Cost	40 lacs	20 lacs

Calculate :

- (i) Capacity of the combined plant to be operated for the purpose of Break-Even point where management wants to combine two plants.
 - (ii) Profit at 75% of combined plant capacity.
4. In a factory 10,000 units are budgeted to be produced in a month with a budgeted fixed expenses being Rs. 15,000 i.e. Rs. 1.50 per unit. The actual output during the month was 11000 units and actual fixed expenses being Rs. 15,500. The increase in output was due to 5% increase in capacity. The budgeted working days were 25 days but factory worked for 27 days. Calculate different overhead variances.
5. The ratio of variable cost to sale is given to be 70%. The break even point occurs at 60% of capacity sale. Find the capacity sale when fixed costs are Rs. 1,50,000. Determine profit at 80% and 100% of sale.

6. Two products A and B are obtained in a crude form and requires further processing at a cost of Rs. 5 for A and Rs. 4 for B per unit before sale. The sale price of product A is Rs. 13.75 per unit and Product B is Rs. 8.75 per unit. Profit on both the product is 20% on selling price. The output of product A is 8000 units and product B is 6000 units. The Joint Costs of both the products is Rs. 88,000. Ascertain Joint Cost per unit.

SECTION—B

7. Define Cost Management. Discuss its need and importance in effective cost reduction and cost control. Also explain the various areas of cost management.
8. Write notes on (any **TWO**) :—
- (a) Uniform Costing.
 - (b) Difference between Job Costing, Batch Costing and Process Costing.
 - (c) Activity Based Costing (ABC Costing).

9. Kapoor and company undertakes long-term contracts. The following information is supplied regarding the contract which is incomplete on 31st March, 2021.

Cost Incurred to Date :

Direct Material	Rs.	2,80,000
Direct Labour	Rs.	90,000
Overheads	Rs.	75,000
Erection Cost to Date	Rs.	15,000
		<u>4,60,000</u>

Total Cost to Date :

Contract Price	Rs.	8,19,000
Cash Received	Rs.	6,00,000

Technical Estimate of work completed till date :

Direct material 80%, Direct Labour and Overhead 75%,
Erection 25%.

Calculate :

- (i) Estimated Profit to Date on Contract
- (ii) Estimated Profit on Completion of the Contract.

SECTION—C

11. Distinguish between Absorption Costing and Marginal Costing. State and explain application of marginal costing in cost reduction, cost control and in decision-making.
12. What is meant by Standard Costing ? How Standard Costing is different from Budgetary Control ? What are the main steps in Budgetary Control ?
13. The Standard mix of Product X is as follows :

Material	Quantity	Price per Kg
A	50 kg	Rs. 5
B	20 kg	Rs. 4
C	30 kg	Rs. 10

Standard loss is 10% of input. Actual production for the month was 7240 kg from 80 mixes. Actual consumption of material is as follows :

Material	Quantity	Price per Kg
A	4160 kg	Rs. 5.50
B	1680 kg	Rs. 3.75
C	2560 kg	Rs. 9.50

Calculate all Material Variances.

14. Prepare a Cash Budget for the period April to June 2021 indicating the extent of bank loan the company will require at the end of each month.

(a) Months	Sales (in Rupees)	Purchases	Wages
February	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

- (b) 25% of the sale is for cash and the period of credit allowed to customer is one month.
- (c) Creditors and wages are paid in the next month. All purchases are on credit.
- (d) Cash at Bank on 1st April, 2021 is Rs. 25,000.