

## **TTL 365 COSTING AND ITS APPLICATIONS TO TEXTILES**

3<sup>rd</sup> May 2008 (Saturday); 1-3 PM; Hall: WS 209; Max Marks 35

### **Part A (7.5 marks)**

- A1) What is prime cost? (1)
- A2) What is pro-rata basis? (1)
- A3) Explain the terms revised PV and weighted PV (2)
- A4) Explain 'Gross Profit', 'Operating Profit' and 'Net Profit'. (3.5 marks)

### **Part B (27.5 marks)**

- 1) Labour data for a Garment Co. is given below: The std. output of each gang is 4 pieces per hr. of work. In this week, a gang\* was engaged for 200 hrs including of 12 idle hrs and produced 810 pieces. Find (a) Std. unit labour cost, (b) LCV, (c) LRV, (d) LEV, (e) LiTV, (f) LMSV, (g) LYSV. (5.5 marks)

Labour type	No. of persons in a gang		Wage rate/hr.	
	Std.	Actual*	Std.	Actual
Skilled	2	2	20	20
Semi-Skilled	4	3	12	14
Unskilled	4	5	8	10

- 2) Find MCV, MPV, MUV, MMSV & MYSV from data given for 100 Kg of yarn: (5.5 marks)

Fibre	Standard		Actual	
	Qty	Price	Qty	Price
A	40	100	40	90
B	40	80	30	80
C	30	70	45	60

- 3) A garment company proposes to replace the existing cover stitch machine to generate extra sales revenue. A proposal to install new machines A or B has to be analyzed. The cost of machine A is Rs 1.4 lakhs with setting up cost of Rs 60,000, which should be recovered at the end of the life of the machine. The cost of machine B is Rs. 2.0 lakhs. The lives of both these machines are estimated at 5 years with no salvage value. Both the machines are to be depreciated on straight-line basis. Machine A will generate sales revenue of Rs. 1.3 lakhs with operating cash expenses of Rs. 40,000 on each year. Machine B generates earnings (in rupees) before depreciation and taxes as follows:

Year 1	2	3	4	5
70,000	76,000	80,000	90,000	92,000

The cost of capital is 10%. Corporate tax is 30%. Which project is acceptable? Use NPV method. (5.5 marks)

- 4) 'Bhalla garments' has to bid for a trouser of 30No size. Material consumption per trouser is 0.9 m. Waste in cutting department is 10%. Fabric cost is Rs 50/m. To produce one trouser, direct labour required in cutting, sewing and finishing departments are 5 min, 1 hr and 20 min respectively. All the direct labourers are uniformly paid at a rate of Rs 10/hr. Overheads are charged on direct labour hour basis. Administrative and selling expenses and profit margin are 20% of factory cost. For a week the following are taken from records.

Dept	Direct Labour Wages (Rs)	Overheads (Rs)
Cutting	7,200	26,040 (for all the dept.)
Sewing	72,000	
Finishing	12,000	

Estimate the bidding price. (5.5 marks)

- 5) Give your comments on the following companies for their return on equity. (5.5 marks)

Company	A	In Lakhs of Rs.	
		B	C
Equity capital	640	600	400
15% Preference shares	160	200	100
10% Long term loans	-	200	500
EBIT	250	312	250
Corporate Tax 30%			