VK – 11

B.Com. (Semester – VI) (Repeat) Examination, October/November 2018
Major – 2 : COST AND MANAGEMENT ACCOUNTING
Techniques of Costing – II

Duration : 2 Hours Total Marks : 80

Instructions : *1) Question No. 1 is* ***compulsory.***
2) Answer ***any 3*** *questions from Q. No.* ***2*** *to Q. No.* ***6.***
3) ***Give*** *working notes* ***wherever*** *necessary.*
4) ***All*** *questions carry* ***equal*** *marks.*

1. An Indian plastic firm makes plastic chairs. Analysis of their accounting revealed for year ended 31st December 2017 :

Variable cost per chair Rs. 40

Fixed cost Rs. 70,000 for the year

Capacity 5000 chairs per year

Selling price per chair Rs. 80.

Calculate :

i) Break-even point in sales revenue and in units.

ii) Number of chairs to be sold to earn a profit of Rs. 30,000.

iii) If the company can manufacture 700 chairs more per year with an additional fixed cost of Rs. 2,000., What should be the selling price to maintain the profit per chair as at (ii) above ?

iv) Assuming that for year 2018 an additional fixed cost of Rs. 8,000 is anticipated and price of chair is likely to be increased by 15%, what should be the break-even point for number of chairs and sales revenue ?

v) Assume that 10,000 chairs were sold in a year. Find out the net profit of the firm. 20

P.T.O.

2. The standard mix of 'Metal AXE2' is as follows :

Tons	Materials	Price per ton (Rs.)
50	P	5.00
20	Q	4.00
30	R	10.00

The standard loss in production is 15% of input. There is no scrap value. Actual production for a month was 7,250 tons of 'Metal AXE2' from 80 mixes. Actual purchases and consumption of material during the month were :

Tons	Materials	Price per ton (Rs.)
4,160	P	5.50
1,680	Q	3.75
2,560	R	9.50

You are required to calculate the following variances for presentation to management :

1) Material cost variance.
2) Material price variance.
3) Material usage variance.
4) Material mix variance and
5) Material yield variance. 20

3. The following particulars are extracted from the records of a company :

Particulars	Product A (per unit)	Product B (per unit)
Sales	150	170
Material cost @ Rs. 10 per kg	Rs. 20	Rs. 30
Direct wages cost @ Rs. 5 per hour	Rs. 50	Rs. 40
Direct expenses	Rs. 5	Rs. 6
Machine hours used	3 hrs.	2 hrs.
Variable overhead expenses	Rs. 15	Rs. 20

Fixed cost incurred Rs. 40,000. Comment on profitability of each product (both use the same raw material) when :

i) Total sales potential in value is key factor.
ii) Raw material is in short supply.
iii) Labour is key factor.

iv) Production capacity (in terms of machine hours) is a limiting factor.

v) Assuming raw material is a key factor (both use the same raw material) availability of which 10,000 kg and maximum sales potential of each product being 3,500 units, find out the product mix which will yield the maximum profit. 20

4. A) The following data is taken out from the books of Omega manufacturing concern :

Standard labour composition for producing 500 articles

40 Men @ 2.50 per hour for 25 hrs.

60 Women @ 2.20 per hour for 30 hrs.

Actual labour composition for producing 500 articles

60 Men @ 3.50 per hour for 20 hrs.

50 Women @ 3.20 per hour for 25 hrs.

There was a stoppage of work due to power failure (idle time) for 4 hours.

Calculate :

a) Labour cost variance.

b) Labour rate variance.

c) Labour efficiency variance.

d) Idle time variance. 10

B) ABC Ltd. provides the data for the month of February 2018 :

Product	Budgeted		Actual	
	Quantity (units)	Sales Price (Rs.)	Quantity (units)	Sales Price (Rs.)
A	1200	15	880	18
B	800	20	880	20
C	2000	40	2640	38

Calculate :

i) Sales value variance.

ii) Sales price variance.

iii) Sales volume variance.

iv) Sales mix variance.

v) Sales quantity variance. **10**

5. A) Define management reporting. Explain various kinds of reporting. **10**

B) Define responsibility accounting. Explain essential features of responsibility accounting. **10**

6. Write short notes on **any four** of the following : **(4×5=20)**

a) Performance budgeting.

b) Transfer pricing.

c) Overhead variances.

d) Advantages and disadvantages of marginal costing.

e) Margin of safety.

f) Advantages of standard costing.

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