SSK – 11

B.Com. (Semester – VI) Examination, April 2017
Major 2 : COST AND MANAGEMENT ACCOUNTING
Techniques of Costing (New Course)

Total Marks : 80

Duration : 2 Hours

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.*
5) *Figures to the* ***right*** *indicate marks allotted.*

1. A retail merchant in garments is currently selling 48,000 shirts annually. He supplies the following details :

Selling price per shirt	Rs. 40
Variable cost per shirt	Rs. 25

Fixed costs :

Staff salaries for the year	Rs. 2,40,000
General office cost for the year	Rs. 1,60,000
Advertising cost for the year	Rs. 80,000

20

Calculate :

i) Break-even point and margin of safety in sales revenue and number of shirts.

ii) Number of shirts required to sale to earn a profit of Rs. 1,20,000.

iii) If he introduces selling commission of Rs. 3 per shirt, how many shirts would require to be sold to earn the current profit ?

iv) By selling 50,000 shirts how much profit he can earn ?

v) Selling price to be fixed to bring down its Break Even point to 24,000 shirts under present condition.

P.T.O.

2. The XYZ Ltd. produces product "p". The following standard materials cost for production of 1000 units product "p" :

Material – A	800 Kgs at Rs. 25 per Kg
Material – B	200 Kgs at Rs. 40 per Kg
Material – C	200 Kgs at Rs. 10 per Kg

During the month of March 2,00,000 units of a product were actually produced and actual consumption of materials was as follows :

Material – A	1,57,000 Kgs at Rs. 24 per Kg
Material – B	38,000 Kgs at Rs. 42 per Kg
Material – C	36,000 Kgs at Rs. 11 per Kg

Calculate : **20**

i) Material cost variance

ii) Material price variance

iii) Material usage variance

iv) Material Mix Variance

v) Material Yield Variance.

3. The following information is presented to you by XY Ltd. producing two products X and Y.

1) Products unit cost and selling price :

	Product X (per unit) Rs.	Product Y (per unit) Rs.
Direct material	200	180
Direct wages	60	40
Variable expenses	60	40
Selling price	400	300

2) Total Fixed cost Rs. 1,60,000.

3) Proposed sales Mixes :

Mix – I 1000 units of X and 2000 units of Y

Mix – II 1500 units of X and 1500 units of Y

Mix – III 2000 units of X and 1000 units of Y

Calculate : **20**

a) The unit marginal cost and unit contribution.

b) The total contribution and resultant profit from each of above proposed sales mix.

c) The proposed sales mixes to earn a profit of Rs. 3,000 and Rs. 6,000 with the total sales of X and Y being 3,000 units.

4. A) Standard labour hours and standard rate for production of one unit of article XEE is given below :

	Per unit standard hours	**Standard rate per hour**
Grade A workers	5 hours	Rs. 15 per hour
Grade B workers	8 hours	Rs. 10 per hour

Actual production of article XEE during the period is 1000 units by using the following actual labour hours and actual rates :

	Actual hours	**Actual rate per hour**
Grade A workers	4500 hours	Rs. 20 per hour
Grade B workers	10000 hours	Rs. 9 per hour

Calculate : **10**

a) Labour cost variance

b) Labour rate variance

c) Labour efficiency variance

d) Labour mix variance.

B) Ultra Modern Ltd. had the following budgeted sales and actual sales for the month of March, 2017 :

Product	Budgeted		Actual	
	Units	Selling price (Rs.)	Units	Selling price (Rs.)
X	1100	50	1300	55
Y	950	100	1000	95
Z	1250	80	1200	78

Calculate following sale variances based on sales value : **10**

i) Sales value variance

ii) Sales price variance

iii) Sales volume variance

iv) Sales mix variance.

5. A) What do you understand by the reporting to management ? Explain different types of report required to the management. **10**

B) Why it is necessary to devise a scheme of transfer pricing when goods are transferred from one unit another under the same management ? Discuss the various methods of transfer pricing. **10**

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

a) Uses of Break-Even Analysis.

b) Causes for material usage variance.

c) Responsibility Centres.

d) Performance budgeting.

e) Advantages of standard costing.

f) Disadvantages of Marginal costing.
