



B.Com. (Semester – V) Examination, April/May 2019
Major – I : Cost and Management Accounting
METHODS OF COSTING (New Course)

Duration : 2 Hours

Total Marks : 80

Instructions : 1) Question No. 1 is **compulsory**.

2) Answer **any three** questions from Question No. 2
Question No. 6.

3) Figures to the **right** indicate **maximum** marks.

4) Working notes should form part of the answer.

1. The following information has been taken from the costing records of Champion Limited for the year ending 31st December, 2017 :

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Particulars	Amount (Rs.)
Stock of raw materials as on 1 st January 2017	40,000
Stock of raw materials as on 31 st December 2017	90,000
Raw materials purchased during the year 2017	13,60,000
Direct wages	2,88,000
Expenses incurred on purchase of materials	10,000
Manufacturing expenses (80% variable and 20% fixed)	3,12,000
Office salary	72,000
Office rent	48,000
Selling expenses	1,56,000
General expenses	36,000
Sales	24,00,000

Champion Limited had produced and sold 6,000 units, during the year 2017.
For the year 2018 the company had estimated the following :

- The production and sales will increase by 25% over the previous year level.
- The price per unit of raw materials consumed will increase by 10%.
- Direct wages during the year will reduce by 10%.
- The total fixed manufacturing expenses per unit will remain the same as in the previous year.

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- e) The selling expenses per unit will remain unchanged.
 f) Other expenses will remain unaffected by the increase in production.
 g) The profit as a percentage on sales will remain as in the year 2017.

Prepare Cost Sheet for the year 2017 and estimated cost sheet for the year 2018 showing the total cost and profit as well as per unit cost and profit.

2. From the following information, prepare contract account in tabular form and show how these figures appear in the Balance Sheet as on 31st December 2017 :

Commencement	Contract	Contract	Contract
	No. 101	No. 102	No. 103
	1-1-2017	1-7-2017	1-10-2017
Contract Price	8,00,000	5,40,000	6,00,000
Raw materials	1,44,000	1,16,000	40,000
Wages	2,20,000	2,24,000	28,000
General charges	8,000	5,600	2,000
Plant issued	40,000	32,000	24,000
Material on hand	8,000	8,000	4,000
Wages accrued	8,000	8,000	3,600
Work certified	4,00,000	3,20,000	72,000
Work uncertified	12,000	16,000	4,200
Cash received in respect of work certified	3,00,000	2,40,000	54,000

Depreciation is to be charged on the plant @ 10% which was installed on the opening date of the contract in each case.

3. A product passes through three processes A, B and C. The normal wastage of each process is as follows. Process A 3 percent, Process B 5 percent and Process C 8 percent. Wastage of Process A was sold at Re. 0.25 per unit, that of Processes B at Re. 0.50 per unit and that of Processes C at Re. 1 per unit. 10,000 units were issued to process A in the beginning of October 2017 at a cost of Re. 1 per unit the other expenses were as follows.

	Process A	Process B	Process C
Sundry materials	Rs. 1,000	Rs. 1,500	Rs. 500
Labour	5,000	8,000	6,600
Direct expenses	1,050	1,188	2,009
Actual output	9,500 units	9,100 units	8,100 units



4. MMS Transport Co. owns a deluxe bus which runs between Canacona to Belgavi and back, for 10 days in month. The distance from Canacona to Belgavi is 220 Kms the bus completes the trip and back on the same day. It goes another 10 days in the same month towards Dharwad. The one way distance between two towns is 240 Kms. This trip also is completed on the same day. For the rest of the 4 days in a month of the operation it runs in the local city, daily covers a distance covered in local city is 80 Kms.

Compute the fare per passenger km after adding a profit of $\frac{1}{3}$ on taking.
Other details are as follows :

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- i) Cost of the bus Rs. 15,00,000.
- ii) Driver's salary Rs. 22,000 per month.
- iii) Insurance per year Rs. 60,000.
- iv) Lubricants Rs. 300 per 100 kms.
- v) Permit fees Rs. 2,000 per month.
- vi) Diesel consumption 5 kms per litre @ Rs. 60 per litre.
- vii) Accountants salary Rs. 15,000 per month.
- viii) Repairs Rs. 7,000 per month.
- ix) Conductor's salary Rs. 12,000 per month.
- x) Scrap value of the bus after 10 years Rs. 50,000.
- xi) Normal capacity of the bus : 50 passengers.

The bus is generally occupied 90% of the capacity between Canacona to Belgavi; 80% between Canacona to Dharwad and 100% when it goes to tourist spot.

5. A) The information given below has been taken from the cost records of an engineering works in respect of Job No. 501 are as follows :

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Materials : Rs. 40,100.

Wages : Department A – 60 hours @ Rs. 30 per hour.

Department B – 40 hours @ Rs. 20 per hour.

Department C – 20 hours @ Rs. 50 per hour.

The overheads are as follows :

Variable : Department A Rs. 25,000 for 2,500 hours.

Department B Rs. 15,000 for 1,250 hours

Department C Rs. 10,000 for 1,250 hours.

Fixed expenses Rs. 50,000 for 5,000 working hours.

Calculate the cost of the Job No. 501 and price for the job to give a profit of 20% on the selling price.



- B) A factory producing article X also produces by product Y which is further processed into finished product. The joint cost of the manufacture is as follows. 10

Particulars	Rs.
Materials	1,00,000
Labour	60,000
Overheads	40,000

Subsequent costs are :

Particulars	Product X (Rs.)	Product Y (Rs.)
Material	60,000	30,000
Labour	28,000	20,000
Overheads	12,000	10,000
Total cost	1,00,000	60,000
Sales	3,20,000	1,60,000

Estimated profit on selling a price is 25% for product X and 20% for product Y. Assume that selling and distribution expenses are in proportion of sales.

Prepare statement showing the apportionment of joint costs.

6. Answer **any four** questions from the following. 20
- Mention any five non-cost expense/provision.
 - Write the features of job costing.
 - What is the importance of "Escalation Clause" in contract costing ?
 - Write a note on abnormal loss and abnormal gain.
 - Explain in brief the suitability of service costing to certain organizations.