SG – 437

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VI Semester B.Com. Examination, September/October 2021
(CBCS) (F+R) (2016 – 17 and Onwards)
COMMERCE
Paper – 6.6 : Elective Paper – IV : Cost Management

Time : 3 Hours Max. Marks : 70

Instruction : *Answer should be written* ***completely*** *either in* ***English*** *or* ***Kannada.***

SECTION – A

1. Answer **any five** sub-questions from the following. **Each** sub-question carries **2** marks. **(5×2=10)**
   a) What is cost reduction ?
   b) State any two uses of marginal costing.
   c) Define standard cost.
   d) What do you mean by budgetary control ?
   e) What is cost drivers ?
   f) What is target costing ?
   g) What is PV ratio ?

SECTION – B

Answer **any three** of the following. **Each** question carries **6** marks. **(3×6=18)**

2. Briefly explain the uses of adopting of Activity Based Costing (ABC).
3. List out the advantages of Budgetary Control.
4. Sales 10,000 units @ ₹ 20 p.u. variable cost ₹ 10 p.u. Fixed cost ₹ 80,000. Find out break even point in units as well as in amount and also profits earned. What should be the sales for earning a profit of ₹ 60,000 ?
5. Following is the information :
   Actual production : 400 units of product 'X'. Standard quantity of material required for 1 unit of product 'X' – 5 kg
   Standard price – ₹ 5 per kg
   Actual quantity – 2,200 kg
   Actual value of materials purchased – ₹ 10,560
   Calculate :
   a) Material cost variance
   b) Material price variance
   c) Material usage variance.

P.T.O.

6. Prepare a flexible budget for production 80% (8,000 units) on the basis of the following information. Production at 50% capacity 5,000 units.

Raw material	₹ 80 p.u.
Direct labour	₹ 50 p.u.
Direct expenses	₹ 20 p.u.
Factory expenses	₹ 50,000 (50% fixed)
Administrative expenses	₹ 30,000 (40% variable)

SECTION – C

Answer **any three** of the following. **Each** question carries **14** marks. **(14×3=42)**

7. The sales and total cost for two years are as below.

Years	Sales	Total Cost (₹)
2020	10,00,000	10,50,000
2021	14,00,000	12,50,000

Calculate :

a) P/V ratio

b) BEP

c) Sales required to earn a profit of ₹ 2,00,000

d) Margin of safety at a profit of ₹ 1,25,000

e) Profit when sales are ₹ 12,00,000

f) Variable cost of the two years.

8. India Ltd. manufactures a particular product, the standard direct labour of which is ₹ 120 p.u. whose manufacturing involves the following.

Type of workers	Hrs.	Rate (₹)	Amount (₹)
A	30	2	60
B	20	3	60
Total	**50**	–	**120**

During a period, 100 units of the product were produced, the actual labour cost of which was as follows.

Type of workers	Hrs.	Rate (₹)	Amount (₹)
A	3,200	1.50	4,800
B	1,900	4.00	7,600
Total	**5,100**	–	**12,400**

Calculate :

a) Labour cost variance

b) Labour rate variance

c) Labour efficiency variance

d) Labour mix variance.

9. The budgeted overheads and cost drivers of Neptune Ltd. are as follows.

Cost Pool	**Budgeted Overheads** (₹)	**Cost driver**	**Budgeted Volume**
Material procurement	2,90,000	No. of orders	550
Material Handling	1,25,000	No. of movements	340
Set up	2,07,500	No. of set ups	260
Maintenance	4,85,000	Maintenance hours	4,200
Quality control	88,000	No. of inspections	450
Machinery	3,60,000	No. of Machine Hrs.	12,000

The firm has produced a batch of 2,600 components of A × L – 5, its material cost was ₹ 1,30,000 and labour cost ₹ 2,45,000.

The usage activities of the said batch are as follows :

Material Orders – 26

Material Movements – 18

Set-ups – 25

Maintenance Hours – 690

Inspection – 28

Machine Hours – 1800

Calculate cost driver rates that are used for computing appropriate amount of overhead to this batch and ascertain the cost of the batch of the components using activity based costing.

10. Manish Co. is expecting to have ₹ 25,000 cash in hand on 1st April 2021 and it requires you to prepare cash budget for the 3 month, April to June 2021. The following information supplies to you.

Months	**Sales** (₹)	**Purchases** (₹)	**Wages** (₹)	**Expenses** (₹)
Feb.	70,000	40,000	8,000	6,000
March	80,000	50,000	8,000	7,000
April	92,000	52,000	9,000	7,000
May	1,00,000	60,000	10,000	8,000
June	1,20,000	55,000	12,000	9,000

a) Period of credit allowed by suppliers 2 months.

b) 25% of sales is for cash and the period of credit allowed to customers for credit sales is one month.

c) Delay in payment of wages and expenses are one month.

d) Income tax ₹ 25,000 is to be paid in June 01.

11. a) SVR Pens Ltd. manufactures two products – 'Gel pen' and 'Ball pen'. It furnishes the following data for the year 2021.

Product	**Actual Output**	**Total machine Hours**	**Total No. of Purchase Orders**	**Total No. of Set ups**
Gel Pen	5,500	24,000	240	30
Ball pen	24,000	54,000	448	56

The annual overheads are as under :

Particulars	₹
Volume related activity costs	4,75,020
Set up related costs	5,79,988
Purchase related costs	5,04,992

Calculate the overhead cost per unit of each product – Gel pen and Ball pen on the basis of Activity Based Costing.

b) Trisha Company annually manufactures and sells 20,000 units of a product, the selling price of which is ₹ 50 and profit earned is ₹10 per unit.

The analysis of cost of 20,000 units is

Material cost ₹ 3,00,000

Labour cost ₹ 1,00,000

Overheads ₹ 4,00,000 (50% variable)

You are required to compute

a) Break even sales in units

b) Sales to earn a profit of ₹ 3,00,000

c) Profit when 15,000 units are sold.

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