B.Com. (Semester – V) Examination, October/November 2016
Major 2 : COST AND MANAGEMENT ACCOUNTING
Techniques of Costing – I (New Course)

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. Orpat Manufacturing Company Limited is engaged in the business of manufacturing calculators. It has prepared a six monthly budget for 40000 units, which shows the following particulars :

Particulars	**40000 Units**
Variable Costs :	
Manufacturing	Rs. 12 per unit
Selling	Rs. 2 per unit
Distribution	Rs. 0.50 per unit
Semi-Variable Costs :	
Manufacturing	Rs. 1,20,000 (40% variable)
Selling	Rs. 60,000 (60% variable)
Administration	Rs. 32,000 (75% fixed)
Fixed Costs :	
Manufacturing	Rs. 1,20,000
Selling	Rs. 80,000
Administration	Rs. 1,60,000

Prepare a Flexible Budget for 60000 units, 80000 units and 100000 units and determine cost per unit. **20**

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2. Modern Steels Ltd. is considering two mutually exclusive projects. Both require an initial cash outlay of Rs. 1,50,000 each and have a life of five years. The projects will be depreciated on straight line basis and corporate tax rate is at 50%. The net profit before depreciation and tax expected to be generated by the projects are as follows :

Year	Project I	Project II
Year 1	60,000	90,000
Year 2	60,000	45,000
Year 3	60,000	36,000
Year 4	60,000	75,000
Year 5	60,000	75,000

Calculate :

a) Payback period of each project

b) Accounting rate of return of each project. **20**

3. Prepare a cash budget in respect of six months, July to December, 2016 from the information given below :

Month	Credit sales	Materials	Wages	Production and Administrative Overheads	Selling Overheads
	Rs.	Rs.	Rs.	Rs.	Rs.
April	2,00,000	80,000	20,000	94,000	6,800
May	2,40,000	1,20,000	22,000	1,01,800	10,000
June	1,60,000	80,000	16,000	1,18,000	6,800
July	2,00,000	1,20,000	16,000	91,800	7,600
August	2,40,000	1,40,000	20,000	1,18,000	8,800
September	2,80,000	1,60,000	20,000	1,14,000	9,200

October	3,20,000	1,80,000	20,000	1,22,000	10,400
November	3,60,000	2,00,000	22,000	1,26,000	9,800
December	4,00,000	2,20,000	22,000	1,34,400	6,200

1) Cash balance on 1st July 2016 was expected to be Rs. 30,000.

2) Plant and machinery to be installed August at a cost of Rs. 80,000 will be payable on 1st September.

3) Extension to research and development department amounting to Rs. 20,000 will be completed on 1st August, payable Rs. 4,000 per month from completion date onwards.

4) Under hire purchase agreement Rs. 8,000 is payable per month.

5) Cash sales of Rs. 4,000 per month are expected. No commission is payable on cash sales.

6) Sales commission of 5% on credit sales is to be paid within the month following the sale.

7) Credit policy :

   a) Period of credit allowed by suppliers 3 months

   b) Period of credit allowed to customers 2 months

   c) Delay in payment of wages 1 month

   d) Delay in payment of overheads 1 month

8) Income tax of Rs. 2,00,000 is due to be paid on 1st October. Preference dividend of 10% on Rs. 4,00,000 is to be paid on 1st November.

9) Calls on ordinary shares of Rs. 4,00,000 each are due on 1st July and 1st September.

10) Dividend from investments amounting to Rs. 60,000 is expected on 1st November.

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4. A) A company manufactures two products A and B by making use of two types materials i.e. X and Y. Product A requires 10 kg of X material and 3 kg of Y material. Product B requires 5 kg of material X and 2 kg of material Y. The price of material X is Rs. 2 per kg and that of material Y is Rs. 3 per kg.

The following is the information related to products and material :

Particulars	**Product A**	**Product B**
Estimated sales during budgeted period	6000 units	12000 units
Estimated opening stock during budgeted period	1500 units	2500 units
Desirable closing stock during budgeted period	2500 units	4500 units

Particulars	**Material X**	**Material Y**
Estimated opening stock during budgeted period	3500 kg	4500 kg
Desirable closing stock during budgeted period	4500 kg	5000 kg

Prepare :

a) Production budget for product A and B.

b) Material usage budget and material purchase budget for material X and Y. **10**

B) What is management accounting ? Explain the scope of management accounting. **10**

5. A) Explain uniform costing and describe essential requisites for installation of uniform costing. **10**

B) What is capital budgeting ? Explain different methods of evaluation of capital investment. **10**

6. Write notes on the following **(any four)** : **20**

a) Role of Management Accountant.

b) Sales Budget

c) Types of inter-firm comparison

d) Limitations of Management Accounting

e) Objectives of Uniform Costing

f) Master Budget.