



B.Com. (Semester – V) Examination, October/November 2017
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. The following are the budgeted expenses for the production of 5000 Soaps of Luxury Manufacturing Company Limited :

Particulars	Per Unit Amount (Rs.)
Direct materials	80
Direct wages	60
Variable overheads	40
Fixed overheads (Rs. 1,00,000)	20
Variable expenses (Direct)	10
Administrative expenses (40% fixed)	25
Inspection expenses (50% variable)	30
Distribution expenses (Rs. 2,50,000)	50
Depreciation (Rs. 50,000)	10
Selling expenses (40% fixed)	30
Power and Fuel (60% variable)	45
Total Cost per unit	400

Prepare a Flexible budget for production of 8000, 12000 and 15000 Soaps.
Also determine Cost Per Unit at those level of production.

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2. Syzenta Ltd. is considering the purchase of a machine. Two machines A and B are available. Following is the information given relating to the two machines. Ascertain which of the two machines will be profitable under ?

- Payback period method and
- Average rate of return method.

Particulars	Machine A	Machine B
Cost	Rs. 12,00,000	Rs. 16,00,000
Working Life	4 years	5 years
Profit before tax but after depreciation :		
1 st Year	2,00,000	1,60,000
2 nd Year	3,00,000	2,60,000
3 rd Year	3,60,000	2,80,000
4 th Year	3,00,000	3,60,000
5 th Year	4,00,000	5,00,000

Both the machines have to be depreciated under the straight line method and average rate of Income Tax may be taken at 50%.

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3. A company expects to have Rs. 40,500 cash in hand on 31st March 2017, and requires you to prepare an estimated of cash Budget during the five months - April to August 2017. The following information is supplied to you :

Months	Sales	Purchases	Wages	Factory Expenses	Office Expenses	Selling Expenses
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
February	1,75,000	65,000	9,000	7,500	6,500	4,500
March	1,84,000	48,000	9,750	8,200	6,600	4,200
April	1,90,000	52,000	10,500	9,000	6,800	5,200
May	2,00,000	60,000	13,500	10,200	7,200	6,200
June	2,10,000	55,000	14,250	14,000	8,500	7,000
July	2,30,000	65,000	15,200	16,000	8,000	7,500
August	2,50,000	75,000	16,000	15,500	7,500	6,500



Other Information :

- 1) Period of credit allowed by suppliers - two months.
- 2) 20% of sales is on cash basis and period of credit allowed to customers for credit is one month.
- 3) Delay in payment of all expenses - 1 month.
- 4) Income tax of Rs. 57,500 is due to be paid on 15th June.
- 5) Dividend from investments of Rs. 60,000 is expected to receive in month of April.
- 6) The company is to pay dividend to shareholders and bonus to workers of Rs. 15,000 and Rs. 22,500 respectively in the month of April.
- 7) Advanced to be received for sale of old vehicle Rs. 25,000 in June .
- 8) Dividend at 10% on Preference Share Capital of Rs. 2,00,000 will be paid on 1st August.

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4. A) Golden Co. Ltd. manufactures two Products I and II. Its sales department has four divisions : East, West, North and South. Preliminary sales budget (units) for the year ending 31st December 2017 based on the assessment of the divisional managers were :

Areas	Product I	Product II
East	130000	140000
West	160000	150000
North	175000	165000
South	180000	185000

Sale price of Product I is Rs. 6 and Product II is Rs. 8 in all areas. Arrangement are made for the extensive advertising of Products I and II and it is estimated that East division sales will increase by 1,50,000 units.

Arrangements are also made to advertise and distribute product II in the Northern areas in the second half of 2017 when sales are expected to be 3,00,000 units.

Since the estimated sales of the West Division represented an unsatisfactory target, it is agreed to increase both the estimates by 40%.

Prepare a Sales Budget for the year to 31st December 2017.

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B) What do you mean by Uniform Costing ? Explain its merits and demerits.

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5. A) Define Management Accounting. Enumerate objectives of management accounting. 10
- B) Explain various functions of management accounting. 10
6. Write short notes on the following **any four** : 20
 - a) Requirements of Inter-firm Comparison scheme.
 - b) Advantages of Inter-firm Comparison.
 - c) Limitations of Management Accounting.
 - d) Sales Budget.
 - e) Methods of Capital Budgeting.
 - f) Objectives of Budgetary Control.

A) Golden Co. Ltd. manufactures two products I and II. Its sales department has four divisions: East, North and South. Preliminary sales budget (units) for the year ending 31st December 2017 based on the assessment of the divisional managers was as follows:

Area	Product I	Product II
East	120000	150000
West	160000	150000
North	175000	185000
South	150000	185000

Since the estimated sales of the West Division represented an unsatisfactory target, it is agreed to increase both the estimates by 10%. Prepare a Sales Budget for the year to 31st December 2017.

B) What do you mean by Uniform Costing? Explain its merits and demerits.