(Semester Scheme) (Repeaters)
(Prior to 2014-15)
Commerce
Paper – 5.1 : METHODS AND TECHNIQUES OF COST ACCOUNTING

Time : 3 Hours
Max. Marks : 100

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

SECTION – A

Answer any ten of the following. Each question carries 2 marks. (10×2=20)

1. a) Define Marginal Cost.
   b) What do you mean by works on cost?
   c) Differentiate between favourable and unfavourable variance.
   d) Distinguish between fixed and flexible budget.
   e) Mention two features of industries that adopt process costing.
   f) Mention two features of job costing.
   g) What is contribution?
   h) What is batch costing?
   i) What is standard costing?
   j) What is target cost?
   k) What is meant by material cost variance?
   l) What do you mean by inter-process profit?

SECTION – B

Answer any 5 questions. Each question carries 5 marks. (5×5=25)

2. Write a note on ‘Batch Costing’.

3. Explain the objectives of transport costing.

P.T.O.
4. Calculate E.B.O.Q. from the following:
   - Annual demand: 50,000 units
   - Setting up cost: Rs. 100 per batch
   - Interest @ 10%
   - Cost of storage per unit p.a.: 50 paise
   - Cost of manufacturing: Rs. 20 per unit

5. In a factory 20,000 units of product A were manufactured in the month of March 2016. From the following figures prepare a cost sheet showing total cost and sales:

   - Opening stock of raw materials: Rs. 5,000
   - Purchases: Rs. 55,000
   - Closing stock of finished goods: Rs. 1,000
   - Closing stock of raw materials: Rs. 10,000
   - Direct wages: Rs. 25,000
   - Factory overheads: Rs. 40,000
   - Office overheads: Rs. 20,000
   - Profits is 25% on sales

6. Prepare Abnormal Loss A/c of Process 'A' from the following details:

   **Particulars** | **Amount**
   --- | ---
   Materials | Rs. 30,000
   Labour | Rs. 10,000
   Overheads | Rs. 7,000
   Inputs (units) | 20,000
   Normal loss | 10%
   Sale of normal wastage per unit | Rs. 1
   Output | 17,000 units
7. Write the features of process costing.

8. From the following data calculate the amount of variable cost:
   Break even point Rs. 60,000
   Profit Rs. 3,000
   Fixed cost Rs. 12,000.

SECTION C

Answer any three questions. Each question carries 15 marks. (3 × 15 = 45)

9. The sales and total costs for two years are as below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (Rs.)</th>
<th>Total costs (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>10,00,000</td>
<td>10,50,000</td>
</tr>
<tr>
<td>2016</td>
<td>14,00,000</td>
<td>12,50,000</td>
</tr>
</tbody>
</table>

Calculate:

a) Break even point
b) P/V ratio
c) Sales required to earn a profit of Rs. 2,00,000
d) Variable costs for two years
e) Profits when sales are Rs. 12,00,000.

10. The following information relates to a building contract for Rs. 10,00,000:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials issued</td>
<td>3,00,000</td>
<td>84,000</td>
</tr>
<tr>
<td>Direct wages</td>
<td>2,30,000</td>
<td>1,05,000</td>
</tr>
<tr>
<td>Direct expenses</td>
<td>22,000</td>
<td>10,000</td>
</tr>
</tbody>
</table>
Indirect expenses 6,000 1,400
Work certified 7,50,000 10,00,000
Work uncertified 8,000
Materials at site 5,000 7,000
Plant issued 14,000 2,000
Cash received from contractee 6,00,000 10,00,000

The value of the plant at the end of 2015 and 2016 was Rs. 7,000 and Rs. 5,000 respectively. Prepare:

1) Contract Account
2) Contractee account for two years.

11. A manufacturing company has the production capacity of 20,000 units p.a. The expenses for production of 10,000 (50%) units for a period are furnished below:

<table>
<thead>
<tr>
<th></th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rs.)</td>
</tr>
<tr>
<td>Materials</td>
<td>40</td>
</tr>
<tr>
<td>Wages</td>
<td>20</td>
</tr>
<tr>
<td>Manufacturing expenses (40% fixed)</td>
<td>10</td>
</tr>
<tr>
<td>Administration expenses (all fixed)</td>
<td>5</td>
</tr>
<tr>
<td>Selling and distribution expenses (60% fixed)</td>
<td>5</td>
</tr>
<tr>
<td>Total cost</td>
<td>80</td>
</tr>
<tr>
<td>Profit</td>
<td>20</td>
</tr>
<tr>
<td>Selling price</td>
<td>100</td>
</tr>
</tbody>
</table>

Prepare a flexible budget for 60%, 70% and 90% levels of activity. It is expected that the present unit selling price will remain constant up to 60% activity beyond which a 5% reduction is contemplated up to 90% activity levels.
12. A product passes through three processes for completion. For the month ending 31-3-2016 the following are the details.

<table>
<thead>
<tr>
<th>Process</th>
<th>Total (Rs.)</th>
<th>X (Rs.)</th>
<th>Y (Rs.)</th>
<th>Z (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material</td>
<td>84,820</td>
<td>20,000</td>
<td>30,200</td>
<td>34,620</td>
</tr>
<tr>
<td>Labour</td>
<td>1,20,000</td>
<td>30,000</td>
<td>40,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Direct expenses</td>
<td>7,260</td>
<td>5,000</td>
<td>2,260</td>
<td>Nil</td>
</tr>
<tr>
<td>Production overhead</td>
<td>60,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Normal loss</td>
<td>-</td>
<td>10%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Sale of scrap per unit</td>
<td>-</td>
<td>Rs. 3</td>
<td>Rs. 5</td>
<td>Rs. 6</td>
</tr>
<tr>
<td>Production in units</td>
<td>-</td>
<td>920</td>
<td>870</td>
<td>800</td>
</tr>
</tbody>
</table>

1000 units at Rs. 50 per unit were issued to process X. Production overhead is to be allocated on the basis of direct labour.

Prepare Process Account and Abnormal Gain and Loss Account.

13. Using the following information, calculate:

1) Labour cost variance
2) Labour rate variance and
3) Labour efficiency variance:

<table>
<thead>
<tr>
<th>Standard hours</th>
<th>8,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual hours</td>
<td>10,000</td>
</tr>
<tr>
<td>Standard wage rate</td>
<td>Rs. 6 per hour</td>
</tr>
<tr>
<td>Actual wage rate</td>
<td>Rs. 5 per hour</td>
</tr>
</tbody>
</table>

**SECTION – D**

Answer the following question **compulsorily**:

14. Describe briefly any two methods of costing.