



VI Semester B.Com. Examination, May 2017  
(CBCS) (Semester Scheme)  
(2016 – 17 & Onwards) (Fresh)  
COMMERCE

Paper 6.6 : Elective Paper – IV : Cost Management

Time : 3 Hours

Max. Marks : 70

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

SECTION – A

Answer **any five** sub-questions from the following. **Each** sub-question carries 2 marks. (5×2=10)

1. a) Give the meaning of margin of safety.
- b) What do you mean by variance ?
- c) Give the meaning of business process Re-Engineering.
- d) What is a Flexible budget ?
- e) Calculate the Break Even Point in units. Fixed cost Rs. 1,20,000, Variable cost per units Rs. 10, Selling price per unit Rs. 16.
- f) What is a cost driver ?
- g) A product X requires 25 units of standard material at the rate of Rs. 5 per unit. The actual consumption of material for the manufacture of product X is 20 units at the rate of Rs. 4 per unit.  
Calculate material cost variance.

SECTION – B

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

2. Write the differences between cost control and cost reduction.
3. Briefly explain the limitations of Budgetary Control.
4. From the following calculate labour variances of Department A.

	Dept. A
Actual direct wages	Rs. 2,000
Standard hours	8,000
Standard rate per hour	30 paise
Actual hours worked	8,200

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5. A firm has produced and sold 20,000 units during the year 2016. The selling price was Rs. 50 per unit. The cost details were
- Direct material Rs. 6 per unit  
 Direct labour Rs. 6 per unit  
 Variable overhead Rs. 3 per unit  
 Fixed expenses Rs. 3,50,000
- Prepare a marginal cost statement to show the profit or loss for the year and also find out the Break Even Point.

6. Pavithra Ltd. manufactures two products X and Y. Product X produced in four runs of 250 units and product Y in five independent runs of 200 units. Each product consumer equal direct material and direct labour content. The product overheads amount to Rs. 36,000 which consists line set up costs Rs. 18,000, product inspection cost Rs. 9,000 and Rs. 9,000 for material movement to the product line. Total cost incurred for producing 1,000 units of X and 1,000 units of product Y will be as under

Direct material	30,000
Direct labour	8,000
Production over head	40,000
	<b>78,000</b>

Calculate productwise cost under Activity Based Costing.

### SECTION – C

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

7. From the following information prepare a flexible budget and estimate profit at 60% and 80% capacity.

Capacity 50%

Volume 10000 units

Selling price per unit Rs. 200

Material per unit Rs. 100

Labour per unit Rs. 30

Factory overheads per unit Rs. 30 (Rs. 12 fixed)

Administration overhead per unit Rs.20 (Rs. 10 fixed)

At 60% capacity material cost per unit increased by 2% and selling price per unit falls by 2%. At 80% capacity material cost per unit increases by 5% and selling price per unit falls by 5%.



8. An industry reports the following information for two consecutive years.

Particulars	31-03-2016	31-03-2017
Sales	Rs. 8,10,000	Rs. 9,00,000
Profits	Rs. 18,000	Rs. 45,000

Calculate :

- a) P/V Ratio
- b) Fixed cost
- c) Sales to earn a profit of Rs. 3,00,000
- d) Break Even Point in rupees
- e) Margin of safety at a profit of Rs. 72,000
- f) Profit when sales are Rs. 10,00,000.

9. The standard mix to produce one unit of product is as follows.

Material A	60 units at Rs. 15 per unit	=	900
Material B	80 units at Rs. 20 per unit	=	1,600
Material C	100 units at Rs. 25 per unit	=	2,500
	<b>240 units</b>		<b>5,000</b>

During the month of April 100 units were actually produced and consumption was as follows.

Material A	6400 at 17.50 per unit	=	1,12,000
Material B	9500 at 18.00 per unit	=	1,71,000
Material C	8700 at 27.50 per unit	=	2,39,250
	<b>24600 units</b>		<b>5,22,250</b>

Calculate all material variances.

10. The Budgeted overheads and cost driver volumes of X Y Z Ltd. are as follows.

Cost pool	Budgeted overhead	Cost driver	Budgeted Volumes
Material procurement	57,200	No. of orders	100
Material handling	24,000	No. of movements	60
Set-up	40,000	No. of set ups	50
Maintenance	90,000	Maintenance hours	900
Quality control	18,000	No. of inspection	80
Machinery	72,000	No. of machine hours	2,400



The company has produced a batch of 250 components of product X. The material cost were Rs. 60,000 and labour cost Rs. 1,00,000, the usage activities of the said batch are as follows.

Material orders	10
Maintenance hours	320
Material movement	10
Inspection	15
Set-ups	13
Machine hours	800

Calculate cost drivers rates and as certain the cost of the batch of components of product X using activity based costing.

11. A) Prepare a cash budget from the following for the period April to June 2016 from the following information.

Month	Credit sales (Rs.)	Purchases (Rs.)	Wages (Rs.)
February	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

50% of the credit sales are realised in the month following the sales and the remaining 50% in the second month following. Creditors are paid in the month following the month of purchases, wages are paid in the same month, cash in hand was Rs. 25,000 on April 1, 2016.

- B) Using the following information. Calculate.

- Labour Cost Variance
- Labour Rate Variance
- Labour Efficiency Variance

Standard hours 4,000

Actual hours 5,000

Standard Wage Rate Rs. 3 per hour

Actual Wage Rate Rs. 2.50 per hour.