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V Semester B.Com. Examination, March/April 2021
(CBCS) (F+R) (2016-17 and Onwards)
COMMERCE
5.4 : Costing Methods

206409

Time : 3 Hours

Max. Marks : 70

Instruction : The answers can be written *completely* in *English* or *Kannada*.

SECTION – A

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

1. a) Give the meaning of Job Costing.
- b) What do you mean by cost plus contract ?
- c) Distinguish between joint products and by-products.
- d) What do you mean by operating cost ?
- e) State any two advantages of Batch costing.
- f) What is economic batch quantity ?
- g) What is composite cost unit ?

SECTION – B

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

2. Briefly explain treatment of normal loss and abnormal loss in process accounts.
3. Calculate EBQ and No. of batches from the following :

Annual consumption	–	1,00,000 units
Setting-up cost per batch	–	₹ 2,000
Cost of manufacture	–	₹ 40 per unit
Rate of interest	–	10%
Carrying cost	–	₹ 2 per unit per annum.
4. In the processing a raw material, one main product X and a by-product Y are produced. The joint expenses of manufacturing are :

	₹
Material	24,000
Labour	12,000
Overheads	5,600
Total	41,600



Subsequent expenses are as follows :

Particulars	X	Y
	₹	₹
Materials	12,000	6,000
Labour	5,600	4,000
Overheads	2,400	2,000
Total	20,000	12,000
Sales value	64,000	32,000
Estimated profit on sales	25%	20%

Show the apportionment of joint costs of manufacture using reverse cost method.

5. A transport company is running 10 buses between two cities which are 80 Kms apart. The seating capacity of each bus is 45 passengers. The actual passengers carried were 80% of the capacity. Each bus makes one round trip per day. All the buses run on all the days of the month. Calculate total passenger kms for the month of June.
6. Following are the particulars relating to a contract.

Particulars	₹
Contract price	24,00,000
Raw Materials	4,80,000
Wages	6,40,000
Sub-contract cost	20,000
Plant	80,000
Materials transferred to other contract	8,000
General expenses	30,400

At the end of the year, cash received from the contractee was ₹ 9,60,000 being 80% of work certified. Value of materials unused at the end of the year was ₹ 72,000. Plant to be depreciated by 20%. Prepare Contract Account.

SECTION – C

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

7. Product X is obtained after it passes through 3 distinct processes. You are required to prepare Process Accounts, Abnormal loss and Gain Account.

Particulars	Process I	Process II	Process III
	₹	₹	₹
Materials	5,200	3,960	5,924
Direct wages	4,000	6,000	8,000

Total overhead (Production) 18,000

1000 units at ₹ 6 per unit were introduced in process I.

Production overheads are to be distributed at 100% on Direct wages.

Actual output	Units	Normal loss	Value of scrap per unit
Process – I	950	5%	4-00
Process – II	840	10%	8-00
Process – III	750	15%	10-00

8. National transport company supplies the following details in respect of a truck of 5 tonne capacity.

Cost of truck	₹ 9,00,000
Estimated life	10 Years
Diesel, oil, grease	₹ 15 per trip each way
Repairs and maintenance	₹ 5,000 per month
Cleaner's wages	₹ 2,500 per month
Drivers wages	₹ 5,000 per month
Insurance	₹ 48,000 per year
Tax	₹ 24,000 per year
General supervision charges	₹ 48,000 per year



The Truck carries goods to and from city covering a distance of 50k meters each way.

While going to the city, freight is available to the extent of full capacity and on return 20% of capacity.

Assuming that the Truck run on an average 25 days in a month. Work out,

- Operating cost per tonne k.meter and
 - Rate per trip that the company should charge, if profit of 50% on freightage is to be earned.
9. The following information relates to a building contract for ₹ 20,00,000 and for which 80% of the value of work-in-progress as certified by the architect is being paid by the contractee.

Particulars	2018 ₹	2019 ₹	2020 ₹
Materials issued	2,40,000	2,90,000	1,68,000
Direct wages	2,20,000	3,10,000	2,20,000
Site expenses	10,000	34,000	12,000
Indirect expenses	4,000	5,200	1,000
Work certified on 31 st Dec.	4,70,000	15,00,000	20,00,000
Work uncertified	5,600	16,000	—
Materials at site	4,000	10,000	16,000
Value of plant	2,80,000	—	—

The value of the plant at the end of 2018, 2019 and 2020 was ₹ 2,70,000, ₹ 2,55,000 and ₹ 2,40,000 respectively.

Prepare Contract Account for the three years and Contractee Account.



10. a) The following are the particulars of process 'A' Industry, you are required to Prepare Abnormal loss A/c of 'A' and Process 'A' Account

Particulars	Amount
Materials	₹ 30,000
Labour	₹ 10,000
Overheads	₹ 7,000
Inputs (units)	20,000
Normal loss	10%
Sale of normal wastage	1 per unit
Output	17000 units

- b) How much profit, if any, would you allow to be considered in the following case ?

	₹
Contract cost	5,60,000
Contract value	10,00,000
Cash received	5,40,000
Work uncertified	30,000
Deduction from bills by way of security 10%	

11. Bharath Products Ltd. has received an enquiry for the supply of 2,00,000 units of special type of Machine screws. The management has estimated fixed investment of ₹ 6,00,000 and working capital investment of ₹ 3,20,000 for the above project.

The following further estimates are also made,

- Requirement of raw materials 20000 kgs at ₹ 23 p/kg.
- Required labour hours 18000 of which 2000 are overtime payable at double the normal labour hour rate. Normal LHR is ₹ 10.
- Works overheads ₹ 10 per LHR.
- There are no administration overhead but selling and distribution expenses are ₹ 2,31,000. Amount realised from the sale of scrap is ₹ 20,000.

Management intends to have a return of 25% on the total capital employed. You are required to prepare Estimated Job Cost Sheet to ascertain the price to be quoted.