Reg. No. | | | | | | | | | |

BCMCMC 305

Credit Based V Semester B.Com. Degree Examination, Nov./Dec. 2015
(Semester Scheme) (2008-09 Batch)
COMMERCE
Cost and Management Accounting – III

Time : 3 Hours Max. Marks : 120

***Note** : Provide working notes **wherever** necessary.*

SECTION – A

Answer **any four.** **(4×6=24)**

1. Write a note on 'Work Certified' and 'Escalation Clause' in contract accounting.

2. What is Job Order Costing ? State its features.

3. Distinguish between 'Joint Products' and 'Byproducts'.

4. Hightech Ltd. is committed to supply 2,000 units per month of a product to its dealer on a steady basis. It is estimated that it costs 10 paise as inventory holding cost per unit per month and that setup cost per batch is ₹ 324.

   Calculate the Economic Batch Quantity.

5. SRS Travels, operates a 40 seat capacity Volvo Bus in a month as follows

	Capacity	From	To	Distance
First 10 days	Full	Kundapur	Hasan	160 k.m.
Next 15 days	75%	Kundapur	Hubli	250 k.m.
Next 5 days	60%	Kundapur	Mangalore	100 k.m.

   The total operating cost for the month ₹ 3,77,000. Ascertain cost per passenger/Km.

P.T.O.

6. In processing 10,000 kgs of Material 'X' gives out 7,000 kgs of 'A' and 3,000 kgs of 'B'. The joint cost is ₹ 11,500. From the following data show the apportionment of joint cost and profit of each product on the assumption that the joint products are sold after further processing and joint costs are apportioned in the ratio of sales value at split-off point.

	A – ₹	B – ₹
Selling price at split-off point	2.00	3.00
Further processing cost after separation	2,000	1,000
Selling price after further processing	3.00	4.50

SECTION – B

Answer **any four**. **(4×12=48**

7. Explain briefly the methods of 'Byproducts' Accounting.

8. Write an explanatory note on 'Abnormal Loss' and 'Abnormal Gain' in process accounting.

9. The following information relates to manufacturing of a component called Alfa in a cost centre.

Cost of Material	₹ 6.00 per component
Operator's wages	₹ 72.00 per hour
Machine hour rate	₹ 150.00
Setting up time of the Machine	2 hours and 20 minutes
Manufacturing time	10 minutes per component

Prepare cost sheet showing Production Cost, Setting up cost, Total cost and Cost per unit when a batch consists of 200 components and 800 components.

10. A Ltd. produces a product AXE which passes through two processes before it is completed and transferred to finished stock. The following data relate to Jan. 2014.

	Process I	Process II
	₹	₹
Opening stock	7,500	9,000
Direct Material	15,000	15,750
Wages	11,200	11,250

Factory overhead	10,500	4,500
Closing stock	3,700	4,500
Inter-process profit included in opening stock	–	1,500

Output of Process I transferred to Process II at 25% on cost price.

Output of Process II is transferred to finished stock at 20% profit on the transfer price. Stocks in process are valued at prime cost. Sales during the period are ₹ 1,40,000.

Prepare Process Accounts and finished goods account showing the profit element at each stage.

11. Cost incurred on Contract No. 420 up to 31st March 2014 amounted to ₹ 1,50,100.

Cost of work uncertified ₹ 21,900

Contract price ₹ 4,00,000

Cash received on account ₹ 1,40,000 (80% of work certified)

The contractor wishes to take profit on this contract on estimation basis and the following estimates were made :

a) That the contract would be completed on 30th November 2014.

b) That the further wages required would be ₹ 71,500.

c) That the further Stores and Materials required in addition to those at site on 31st March 2014 would be ₹ 68,600 (Stores and materials at site on 31st March 2014 ₹ 3,400)

d) That the further Plant and Tools required in addition to those at site on 31st March 2014 would be ₹ 25,000 (Plant and Tools at site on 31st March 2014 ₹ 6,200) which would have residual value of ₹ 3,000 on the completion of work.

e) That the establishment expenses cost ₹ 800 p.m.

f) That 2% of total cost (including this percentage) would be charged as provision for contingencies.

Prepare Contract No. 420 Account and find out the Profit to be taken to the credit of Profit and Loss Account.

12. The following expenses were incurred on JOB NO. 555 of ZEE Ltd.

a) Materials ₹ 30,000

b) Wages paid :

Departments : A – 40 Hrs, ₹ 8 per Hour

B – 50 Hrs, ₹ 9 per Hour

C – 60 Hrs, ₹ 5 per Hour

c) Works overhead of these Departments were estimated as under :

Departments : A – ₹ 9,000 for 6,000 working hours.

B – ₹ 10,000 for 5,000 working hours.

C – ₹ 12,000 for 3,000 working hours.

d) Office expenses were ₹ 90,000 when total wages paid in all the three departments came to ₹ 2,70,000.

It is the practice followed in the company to recover office overhead as a percentage of Direct Wages.

You are required to calculate the cost of JOB NO. 555 and its price quoted which would yield 20% profit on selling price.

SECTION – C

Answer **any two** : **(2×24=48)**

13. From the following Trial Balance of Sharadhi Ltd. for the year ending 31-03-14 draw up the Contract Account, Contractee's Account, Work-in-progress Account and Balance Sheet.

	Debit	**Credit**
	₹	₹
Cash received from contractee	–	9,60,000
Buildings	4,60,000	–
Creditors	–	1,80,000
Bank	1,87,000	–

Share capital	–	12,00,000
Materials	5,00,000	–
Wages	4,50,000	–
Expenses	1,18,000	–
Plant	6,25,000	–
	23,40,000	**23,40,000**

The work on contract commenced on 01-04-13. Materials worth ₹ 4,25,000 were sent to the site of the contract but those of ₹ 15,000 were destroyed in an accident. Wages of ₹ 4,50,000 were paid during the year. Plant costing ₹ 1,00,000 was used on the contract for the whole year. On 30th September 2013, Plant costing ₹ 25,000 were destroyed due to fire. Plant worth ₹ 5,00,000 were used from 1st April 2013 to 31st December 2013 and then it was returned to stores. Material worth ₹ 10,000 were at site on 31st March 2014. The contract price was ₹ 15,00,000 and contractee pays 80% of work certified. Uncertified work amounted to ₹ 37,500. Expenses charged to the contract were 25% of wages. Plant is to be depreciated at 10% for the year.

14. The finished product of a factory has to pass through three processes (A, B and C). The normal wastage of each process is 2% in process A, 5% in process B and 10% in C. The percentage of wastage is computed on the number units entering each process.

The scrap value of wastage of process A, B and C are ₹ 10, ₹ 40 and ₹ 20 per 100 units respectively.

The output of each process is transferred to the next process and the finished products are transferred from process C into stock. The following further information is obtained.

	Process A-₹	**Process B-₹**	**Process C-₹**
Materials used	24,000	12,000	12,000
Direct Wages	16,000	10,000	8,000
Manufacturing Expenses	5,000	7,000	5,000

Establishment expenses amounted to ₹ 8,500 which has to be apportioned in the proportion of Direct Wages amongst the three processes.

20,000 units have been put into process A at a cost of ₹ 60,000. The output of each process has been A – 19,600, B – 18,400, C – 16,700.

a) Process Accounts

b) Normal Loss Account

c) Abnormal Loss Account

d) Abnormal Gain Account.

15. A factory producing article P, also yields Q and R as by by-products. The joint cost of manufacture is

Material	₹ 1,00,000
Labour	₹ 20,000
Overhead	₹ 80,000
	₹ 2,00,000

Subsequent expenses are as under :

	P	Q	R
	₹	₹	₹
Material	16,000	15,000	11,000
Labour	6,000	3,000	5,000
Overhead	8,000	7,000	4,000
	30,000	**25,000**	**20,000**
Selling price	1,50,000	1,20,000	1,00,000
Estimated profit on selling price	30%	25%	20%

Show how you would apportion the joint costs of production and prepare the necessary accounts in respect of P, Q and R.

16. Sugama Tourist runs a bus between Kundapura and Mangalore via Udupi. The distance between Kundapura and Udupi is 35 kms and between Udupi and Mangalore 60 kms. During the onwards journey the bus is full of its capacity up to Udupi but only 80% full between Udupi and Mangalore. On the other hand on the return journey it is full from Mangalore to Udupi but 75% of the capacity between Udupi and Kundapura. The following information is provided :

Cost of the bus	₹ 30,00,000
Estimated scrap value	₹ 20,000
Estimated life	10 years

Annual road tax	₹ 5,000
Insurance charges per year	₹ 10,000
Garage rent per year	₹ 24,000
Drivers salary per month	₹ 15,000
Conductor's salary per month	₹ 8,000
Cleaner's salary per month	₹ 3,000
Cost of diesel per litre	₹ 50
Kms run per litre of diesel	4 kms
Proportionate charges for tyre per km.	₹ 0.50

Capacity of the bus is 50 passengers and the bus makes a round trip from Kundapura to Mangalore on an average 25 days in the month.

You are required :

a) To compute the cost per passenger km of operating the bus.

b) Assuming 10% profit on takings for the Company, work out the bus fare to be charged in between Kundapura and Udupi and Udupi and Mangalore for each passenger.