M.Com.(A&F) DEGREE EXAMINATION,NOVEMBER 2018
I Year I Semester
Core Major -II
COST ESTIMATION AND CONTROL

Time : 3 Hours **Max.marks :75**

Section A $(10 \times 2 = 20)$ Marks

Answer any **TEN** questions

1. What is meant by Cost Control?
2. What is Job Costing?
3. What is flexible budget?
4. What is JIT Costing?
5. What is ZBB?
6. What is meant by Budget?
7. State the formulae to calculate Material Cost Variance.
8. What is financial statement?
9. What is meant by abnormal loss and gain?
10. State Current Assets?
11. What are the tools used in financial statement analysis?
12. What is Marginal Cost?

Section B $(5 \times 5 = 25)$ Marks

Answer any **FIVE** questions

13. A Company uses 10,000 Units per year of an item costing Rs.5 each. The cost of processing a purchase order is Rs.100 and the stock holding cost amounts to 20% per year of the money value of inventory. How much should the company buy at a time (in a single order) in order to minimize the inventory cost?
14. State how Activity Based Costing helps management?

15. Prepare a flexible budget for a production of (a) 8000 units (b) 6000 units (c) Indicate cost per unit at both the levels. The expenses for budgeted production of 10,000 units in a factory are furnished below:

	Per unit(Rs)
Material	70
Labour	25
Variable overheads	20
Fixed over heads (Rs.10,000)	10
Variable expenses (direct)	5
Selling expenses (10% fixed)	13
Distribution expense (20% fixed)	7
Administration expenses	5

Total cost per unit	155
	-----

16. Company manufactures a single product having a marginal cost of Rs.0.75 per unit.

    (a) Fixed cost is Rs.15,000 per annum. The market is such that upto 40,000 units can be sold at a price of Rs.150 per unit, but any additional sale must be made at Rs.1.00 per unit. Company has a planned profit of Rs.25,000. How many units must be made and sold?

    Calculate:

    (a) P/V ratio

    (b) MOS

    (c) Sales

    (b) Variable cost from the following figures:

Fixed cost	Rs.12,000
Profit	Rs.1,000
Break even sales	Rs.60,000

17. A product passes through two process. The following details relate to process 'A'.You are required to ascertain the process cost to be transferred to process 'B'.

	Rs.
Direct Materials(100 units)	12,000
Direct wages	8,000
Direct expenses	5,000
Overheads	11,000

    Input 1000 units, output 1000 units as there was no loss of time.

18. You are required to calculate breakeven point from the following:

Profit Rs.5,000 (20% of sales), P/V ratio is 50%

19. The Standard time and rate for unit component 'A' are given below:

    Standard hours per unit 15

    Standard rate per hour Rs. 4

    The actual data and related information are as under:

Actual production:	1000 units
Actual hours:	15,300 hours
Actual rate:	Rs. 3.90 per hour

    Calcualate

    (a) Labour cost variable.

    (b) Labour efficiency variance.

    (c) Labour rate variance.

Section C $(2 \times 15 = 30)$ Marks

Answer any **TWO** questions

20. What are the characteristics of a good installation of cost system?

21. The Standard material cost for 100kg of chemical 'D' is made up of

    Chemical 'A' - 30kg @ Rs. 4 per kg

    Chemical 'B' - 40kg @ Rs. 5 per kg

    Chemical 'C' - 80kg @ Rs. 6 per kg

    In a batch 500kg of chemical 'D' were produced from a mix.

    Chemical 'A' - 140kg at a cost of Rs. 588

    Chemical 'B' - 220kg at a cost of Rs. 1,056

    Chemical 'C' - 440kg at a cost of Rs. 2,860.

    How do the yield, mix and the price factors contribute to the variance in the actual cost per 100kg of chemical 'D' over the standard cost?

22. Prepare a cash budget for the month of May, June and July 2016 on the basis of the following information:

    (a) Income and Expenditure forecasts:

Month 2016	Credit Sales	Credit Purchase	Wages	Manufacturing expenses	Office expenses	Selling expenses
March	60,000	36,000	9,000	4,000	2,000	4,000
April	62,000	38,000	8,000	3,000	1,500	5,000
May	64,000	33,000	10,000	4,500	2,500	4,500
June	58,000	35,000	8,500	3,500	2,000	3,500
July	56,000	39,000	9,500	4,000	1,000	4,500
August	60,000	34,000	8,000	3,000	1,500	4,000

(b) Cash balance on 1^{st} May 2016 Rs. 8,000.

(c) Plant costing Rs. 16,000 is due for delivery in July: Payable 10% on delivery and the balance after 3 months.

(d) Advance tax of Rs. 8,000 each is payable in March and June.

(e) Period of credit allowed (i) by supplier - 2 months (ii) customers - 1 month

(f) Login payment for manufacturing expenses - $\frac{1}{2}$ month.

(g) Login payment of office and selling expenses - 1 month.

23. During January 2016, 2000 units were introduced in process I. There was no work-in-progress on 1.1.2016. By the end of the month 1200 units were completed and transferred to process II. 500 units were incomplete and 300 units had been scrapped. The normal process loss had been 10% of input. It was estimated that the incomplete units reached the following stage:

    Material 80% Labour and Overheads 60%

    The process cost were:

    Material Rs. 17,400

    Labour Rs. 6,400

    Overheads Rs. 3,200

    Scrap value is Rs. 2 per unit

    The scrapped units had passed through the process and are 100% complete as regards material, labour and overheads.

    Prepare necessary statements, process account and abnormal loss account.