M.Com(A&F) DEGREE EXAMINATION,NOVEMBER 2019
I Year I Semester
Cost Estimation and Control

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

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

Answer any **TEN** questions

1. Define 'Cost Accounting'.
2. What is meant by Financial Gearing?
3. What is meant by activity based costing?
4. What is inter-process profit?
5. Write short note on contribution.
6. Give formula for MOS ratio.
7. Define budgetary control.
8. What is a flexible budget?
9. What is standard costing?
10. Write the meaning of material price variance.
11. What is Volume Variance?
12. What is fixed cost?

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

Answer any **FIVE** questions

13. Explain the objectives of cost accounting?
14. Differentiate financial gearing and operational gearing.
15. A product passes through three processes A, B and C 10,000 units at a cost Re. 1 were issued to process A. The other direct expenses were :

Particulars	Process – A(Rs.)	Process – B(Rs.)	Process – C(Rs.)
Sundry materials	1,000	1,500	1,480
Direct labour	5,000	8,000	6,500
Direct Expenses	1,050	1,185	1,605

Prepare the Process Accounts of Product A.

16. The information given below has been taken from the costing records of an Engineering works in respect of Job No. 303.

Materials	:	Rs. 4,010
Wages	:	Dept A – 60 hours @ Rs. 3 per hour
		B – 40 hours @ Rs. 2 per hour
		C – 20 hours @ Rs. 5 per hour

Overhead expenses for these three departments were estimated as follows:

Variable overheads:	Dept A – Rs. 5,000 for 5,000 Labour hours
	B – Rs. 3,000 for 1,500 Labour hours
	C – Rs. 2,000 for 500 Labour hours
Fixed overheads:	Estimated at Rs. 20,000 for 10,000 normal working hours.

You are required to calculate the cost of job 303 and calculate the price to give profit of 25% on selling price.

17. From the following data calculate

(a) Numbers of units to be sold to earn a profit of Rs. 1,20,000

(b) Sales to earn a profit of Rs. 1,20,000

		Rs.
Selling price per unit	:	40
Variable selling cost per unit	:	3
Variable manufacturing cost per unit	:	22
Fixed factory overheads	:	1,60,000
Fixed selling cost	:	20,000

18. Enumerate the characteristics of budgetary control.

19. With the help of following information calculate

(a) Labour cost variance

(b) Labour rate variance

(c) Labour efficiency variance.

Standard hours: 40 @ Rs. 3 per hour

Actual hours: 50 @ Rs. 4 per hour.

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

Answer any **TWO** questions

20. Expansion limited manufactures automobile accessories and parts. The following ar the total costs of processing 1,00,000 units:

Direct Materials cost	Rs. 5 lakhs
Direct Labour cost	Rs. 8 lakhs
Variable Factory overheads	Rs. 6 lakhs
Fixed Factory overheads	Rs. 5 lakhs

The purchase price of the component is Rs. 22. The fixed overhead would continue to be incurred even when the component is bought from outside although there would have been reduction to the extent of Rs. 2,00,000.

Required:

(a) Should the part be made or bought considering that the present facility when released following a buying decision would remain idle.

(b) In case the released capacity can be rented out to another manufacturer for Rs. 1,50,000 having good demand, what should be the decision?

21. A department of Company X attains sales of Rs. 6,00,000 at 80% of its normal capacity and its expenses are given below :

Administrative cost	:	
Office salaries	:	Rs. 90,000
General Expenses	:	2% of sales
Depreciation	:	Rs. 7,500
Rates and Taxes	:	Rs. 8,750
Selling costs	:	
Salaries	:	8% of sales
Travelling expenses	:	2% of sales
Sales office expenses	:	1% of sales
General expenses	:	1% of sales
Distribution costs	:	
Wages	:	Rs. 15,000
Rent	:	1% of sales
Other expenses	:	4% of sales

Draw up flexible administration, selling and distribution cost budget, operating at 90%, 100% and 110% of normal capacity.

22. What is costing systems? Explain the applications of costing system in different areas.

23. A manufacturing concern, which has adopted standard costing, furnished the following information :

Standard:

Material for 70 kg, finished products: 100 kg
Price of Material: Rs. 1 per kg

Actual:

Output: 2,10,000 kg
Material used: 2,80,000 kg
Cost of material: Rs. 2,52,000.

Calculate:

(a) Material usage variance
(b) Material price variance
(c) Material cost variance.