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IV Semester B.Com. (A & F) Degree Examination, August/September - 2023

COMMERCE

Techniques of Costing

(CBCS Scheme Repeaters 2019-20)

Paper : 4.4

Time : 3 Hours

Maximum Marks : 70

Instructions to Candidates :

Answers to be written in English only.

SECTION - A

Answer any Five of the following. Each answer carries 2 marks.

(5×2=10)

1.
 - a) Mention any two difference between cost control and cost reduction.
 - b) What is break-even point?
 - c) Give the meaning of labour rate variance.
 - d) Write any two objectives of budgetary control.
 - e) What is meant by cost driver?
 - f) Given variable cost Rs. 50,000 fixed cost Rs. 30,000 profit Rs. 10,000 calculate the amount of sales.
 - g) State any two difference between fixed and flexible budget.

**SECTION - B**

Answer any Three of the following. Each answer carries 5 marks.

(3×5=15)

2. Explain the steps in installation of Activity Based Costing system.
3. Given the following information:

Units of Output	5,00,000
Fixed cost	Rs. 7,50,000
Variable cost per unit	Rs. 2
Selling price per unit	Rs. 5

[P.T.O.]



You are required to determine:

- i) The Break-Even point
- ii) The sales needed for a profit of Rs. 6,00,000 and
- iii) The profit if 4,00,000 units are sold at Rs. 6 per unit.

4. The standard cost card shows the following details relating to materials needed to produce 1kg of groundnut oil:-

Quantity of groundnut required	3 kg
Price of groundnut	Rs. 2.50 per kg
Actual production data:	
Production during the month	1,000 kg
Quantity of materials used	3,500 kg
Price of groundnut	Rs. 3 per kg

Calculate :

- a) Material cost variance
 - b) Material price variance
 - c) Material usage variance
5. Prepare a flexible budget for production at 80 percent and 100 percent activity on the basis of the following information.

Production at 50% capacity	5,000 units
Raw materials	Rs. 80 per unit
Direct labour	Rs. 50 per unit
Direct expenses	Rs. 15 per unit
Factory expenses	Rs. 50,000 (50% fixed)
Administration expenses	Rs. 60,000 (60% variable)

SECTION - C

Answer any **Three** of the following. Each answer carries **15** marks. **(3×15=45)**

6. Briefly explain differences between the traditional system and activity based costing system.
7. Mahindra Co. Ltd is working at 50% capacity and produces 10,000 units. At 60%. Working raw material cost increases by 2% and selling price falls by 2%. At 80% working raw material cost increases by 5% and selling price falls by 5%.

At 50% capacity working the product costs Rs. 180 per unit and is sold at Rs. 200 per unit. The unit cost of Rs.180 is made up as follows:



Material Rs. 100 Factory overheads Rs. 30 (40% fixed)

Wages Rs. 30 Administration overheads Rs. 20 (50% fixed)

Prepare a marginal cost statement showing the estimated profit of the business when it is operated at 60% and 80% capacity.

8. A department of Akash India Company attains sales of Rs. 6,00,000 at 80% of its normal capacity. Its expenses are given below:

Office Salaries	90,000
General expenses	2% of sales
Depreciation	7,500
Rent and rates	8,750
Selling Cost:	
Salaries	8% of Sales
Travelling expenses	2% of Sales
Sales office	1% of Sales
General expenses	1% of Sales
Distribution cost:	
Wages	15,000
Rent	1% of Sales
Other expenses	4% of Sales

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

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

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

During the month of April, 10 units were actually produced and consumption was as follows:

Material A	640 units	@ 17.50 per unit = Rs. 11,200
Material B	950 units	@ 18.00 per unit = Rs. 17,100
Material C	870 units	@ 27.50 per unit = Rs. 23,925
	2460 units	52,225

Calculate all material variances.