

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2022-2023)

SUBJECT CODE : 22BF/MC/CM24

B.Com. DEGREE EXAMINATION APRIL 2023
BANKING, FINANCE AND ENTREPRENEURSHIP
SECOND SEMESTER

COURSE : MAJOR – CORE
PAPER : COST MANAGEMENT
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION A

ANSWER ALL QUESTIONS **(10 x 2 = 20)**

1. What are indirect costs?
2. Write a short note on stores ledger.
3. What do you understand by overtime?
4. List out the steps in value chain analysis.
5. Briefly discuss about three limitations of outsourcing.
6. Write a short note on Throughput accounting.
7. Ascertain the value of raw materials purchased:

Materials consumed	Rs. 5,00,000
Opening stock of Materials	Rs. 50,000
Closing stock of Materials	Rs. 25,000
8. A publishing house purchases 4,000 units of a particular item per year at a unit cost of Rs. 20. The order cost per order is Rs. 50 and the inventory carrying cost is 25%. Find the optimal quantity and the minimum total cost including the purchase cost.
9. The following information relates to a production department of a factory:

Production overhead	Rs. 40,000
Machine hours	10,000

Calculate the machine hour rate.
10. Cost of process X – Rs. 2,70,000; Joint products produced X: 500 kgs; Y: 1,500 kgs. Market price per unit: X – Rs. 30, Y – Rs. 20. Divide Joint cost on Market value basis.

SECTION B

ANSWER ANY FIVE QUESTIONS **(5 x 8 = 40)**

11. Discuss the provisions relating to the presentation and disclosure of labour cost in Cost Statements.
12. Briefly explain the Lean Resource Management Techniques.
13. Delta company has the following levels of production and related costs for the last 6 months:

Month	Level of production	Total cost (\$)
April	1,000	8,750
May	1,200	9,300
June	1,400	9,850
July	1,130	9,050
August	1,050	8,900
September	1,200	9,300

- a) Calculate the variable cost per unit of production and fixed cost per month using the table above **(3 marks)**
- b) Calculate the total cost of production if the number of units produced for the next month is 2,300 units **(2 marks)**
- c) Calculate the total cost of production for 2,500 units, assuming the fixed costs increases by \$500 after 2,400 units **(3 marks)**

14. Calculate Reorder level, Minimum Stock level, Maximum Stock level and Average Stock level from the following information:

Normal usage – 300 units per week
 Maximum usage – 450 units per week
 Minimum usage – 150 units per week
 Reorder period – 4 to 6 weeks
 Reorder quantity – 2,400 units

15. From the following data, prepare a statement showing the cost per day of 8 hours of engaging a particular type of labour:

- (a) Monthly salary (Basic plus dearness allowance) Rs. 400
 (b) Leave salary payable to workman 15% of basic and dearness allowance
 (c) Employee's contribution to provident fund 8% of salary (items a and b)
 (d) Employer's contribution to E.S.I. 5% of salary (items a and b)
 (e) Pro rata expenditure on amenities to labour Rs. 25 per head per month
 (f) No. of working hours in a month 200

16. A manufacturing concern has three production departments and two service departments. In July 2015, the departmental expenses were as follows:

Production Departments:

A	Rs. 16,000
B	Rs. 13,000
C	Rs. 14,000

Service Departments:

X	Rs. 4,000
Y	Rs. 6,000

The service department expenses are charged out on a percentage basis:

	A	B	C	X	Y
Expenses of department E	20%	25%	35%	-	20%
Expenses of department F	25%	25%	40%	10%	-

Prepare a statement of secondary distribution under repeated distribution method.

17. Forte Limited manufactures two products X and Y, in a single joint process. Last month the joint costs/common costs were \$75,000 and 10,000 units of X and 15,000 units of Y were produced. At split off point each product has a sales value of \$10 (for X) and \$15 (for Y)
 Additional processing costs were \$25,000 for X and \$10,000 for Y. Product X is sold at \$15 and Product Y is sold for \$25.

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|---|-----------|
| a. Physical units measurement method | (2 marks) |
| b. Relative sales value at split off point method | (2 marks) |
| c. Net realizable value method | (2 marks) |
| d. Constant gross profit margin method | (2 marks) |

SECTION C

ANSWER ANY TWO QUESTIONS

(2 x 20 = 40)

18. Discuss the following modern cost management techniques:

- a. Supply chain management
- b. Lean resource management
- c. Just in time inventory management
- d. Material requirement planning system
- e. Outsourcing and offshoring
- f. Value chain analysis
- g. Business process reengineering

19. Following is the extracts of costing information related to commodity 'A' for the half year ending 31-12-2016:

	Rs.
Purchase of raw materials	1,20,000
Work overheads	48,000
Direct wages	1,00,000
Carriage on purchases	1,440
Stock (1 st July 2016)	
Raw Materials	20,000
Finished products (1,000 tons)	16,000
Stock (31 st Dec 2016)	
Raw materials	22,240
Finished products (2,000 tons)	32,000
Work-in-progress (1 st July 2016)	4,800
Work-in-progress (31 st Dec 2016)	16,000
Sales – Finished Products	3,00,000

Selling and distribution overheads are Re.1 per ton sold. 16,000 tons of commodity were produced during the period.

Prepare a cost sheet showing net profit for the period and net profit per ton of the commodity.

20. Alpha company has purchased and issued material as under:

2018

June	1	Stock of materials	200 units at Rs. 2.50 per unit
	3	Purchased	300 units at Rs. 3 per unit
	7	Purchased	500 units at Rs. 4 per unit
	10	Issued	600 units
	12	Purchased	400 units at Rs. 4 per unit
	18	Issued	500 units
	24	Purchased	400 units at Rs.4.50 per unit
	28	Issued	200 units

Prepare the stores ledger under FIFO and LIFO methods.

21. A product passes through two processes and then to finished stock. The normal wastage of each process is as follows:
 Process A – 30% and Process B – 5%
 The wastage of Process A was sold @ Rs. 5 per unit and that of process B at Rs. 10 per unit. 20,000 units were introduced into process A at the beginning of January 2017 at a cost at Rs. 40 per unit.
 Other expenses were as under:

	Process A	Process B
	Rs.	Rs.
Sundry Materials	40,000	60,000
Wages	2,00,000	3,20,000
Manufacturing expenses	30,000	28,500

The output of process A was 19,000 units and that of process B 18,200 units. Prepare the Process Account, Normal loss Account, Abnormal loss Account and Abnormal Gain Account
