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Con. 2088-09. Basic Cost Concept '09 BB-8832.

(3 Hours) [Total Marks : 100

N.B.:(1) Attempt any **five** questions.

(2) **Figures** to **right** indicate **full** marks.

(3) **Working notes** and **assumptions** forms **part** of answer.

(4) Use of **simple** calculator is **permitted**.

1. A factory manufactures an article. For which production capacity is 5000 units per week ? For first three weeks of March 2009 the cost data is as follows : **20**

Week	Output (Units)	Direct Material	Direct Wages	Factory overhead
1st	2000	12000	6000	12500
2nd	2800	16800	8400	16500
3rd	3700	22200	11100	21000

(Semi variable)

—Factory Overhead partly variable.

—Administration Overheads, are Rs. 12000 per month.

—Selling Costs are @ 5% of sales.

—Profits are estimated @ 15% of sales.

For the fourth week the output is planned to be 5000 units.

Prepare cost sheet for fourth week and ascertain total sales.

2. Sanjan Ltd. has two factories. At each factory one product is produced. The cost Analysis for each factory is **20**

Factory A		Factory B	
Product	**P**	**Product**	**R**
Sales	5,00,000		10,00,000
Variable cost	3,00,000		8,00,000
	2,00,000		2,00,000
Fixed Cost	1,00,000		1,00,000
Profit	1,00,000		1,00,000
Output (Units)	5,000		8,000

Compute for each product /Factory

(a) P.V. Ratio $\frac{C}{S} \times 100$

(b) Break Even Point in Value and Unit $\frac{FC}{PVR}$ $\frac{FC}{CPU}$

(c) Margin of safety AS - BEP (Sale)

(d) Profit if output is increased by 20%

(e) Profit if output is reduced by 20%.

3. A M Ltd. Manufactures two products. **20**

For Month April 2009 expected sales are

P_1—15000 kg and P_2 — 75,000 kg

The opening stock P_1 — 5000 kg | P_2 — 10000 kg.

The expected claiming stock P_1 — 15000 kg | P_2 — 12000 kg.

The labour requirements for each

Unit of P_1 — Skilled — Hours

— Unskilled — Hours

" P_2 — Skilled — Hours

— Unskilled — Hours

One worker works for 8 hours for 25 days.

The wages Paid to Unskilled Worker — Rs. 3000 p.m.

Paid to Skilled Worker— Rs. 5,000 p.m.

You are required to calculate :

(1) Total labour Cost for P_1 and P_2

(2) No. of Skilled & Unskilled Workers to be Employed.

4. A-1 Industries provides following Cost Data data for Month ended 31st March 2009. **20**

COST '09 (2)

Production Capacity	10000	Units p.m.
Actual Production	7500	Units p.m.

	Rs.	**Remarks**
Material Cost	22,500	—
Wages	15,000	—
Indirect Labour	11,250	— Variable
Indirect Materials	18,750	— Variable
Electricity	37,500	— 40% Fixed
Repairs	3750	— 20% Variable
Salaries	12,000	— Fixed
Insurance Premium	5400	— Fixed
Depreciation	10800	— Fixed
Sales Commission	15000	— Variable
Office Expenses	17500	— 50% Fixed

For April 2009, Company expects to have output of 6000 Units or 9000 Units. You are to prepare estimate of cost for both levels of output and suggest selling price, so as to have a profit of 20% on cost.

5. TB Ltd. for system of Standards and Budgets. **20**
The plant capacity is 6000 Units p.m.
The standard costs are :

			P/Units
Material	R	3 kg @ Rs. 3	9·00
Wages	L	4 Hrs. @ Rs. 5	20·00
Variable Overhead			11·00
Fixed Overhead (Cost Rs. 60,000)			10·00

During March 2009 actual production was 6300 Units.
The Actual Cost were

R	Kg 20000 @ Rs. 2·80	?
L	Hrs—24000 @ Rs. 5·40	?
Variable Overhead		66,000
Fixed Overheads		62,000

Calculate Cost Variances with as much detail as possible.

6. Explain with suitable illustrations following methods of pricing issue of materials.
   (a) First In First Out 5
   (b) Weighted Average 5
   (c) Last In First Out 5
   (d) Simple Average 5

7. (a) Explain circumstances when the following products would earn higher profits **10**
   (1) Product with Higher c/s ratio (i.e. P/V Ratio)
   (2) Product with Lower c/s Ratio (i.e. P/V Ratio)

   (b) Enlist various decisions taken by Management with assistance of Marginal Costing Techniques. **10**

8. Explain the following : (Any **four**) :
   (a) Idle time 5
   (b) Non-Monetary Incentives for labour 5
   (c) Economic Order Quantity 5
   (d) Equivalent Production 5
   (e) Profit on Incomplete Contract 5
   (f) Cash Budget