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M.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2023

Fourth Semester

Commerce – Core

APPLIED COSTING

(For those who joined in July 2021–2022)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Basic objective of cost accounting is _____
 - (a) Tax Compliance
 - (b) Financial Audit
 - (c) Cost Ascertainment
 - (d) None of these

2. Classification cost is useful to _____
- (a) Find gross profit
 - (b) Find net profit
 - (c) To identify costs
 - (d) None of these
3. Labour Turnover is _____
- (a) Productivity of labour
 - (b) Efficiency of labour
 - (c) Change in labour force
 - (d) None of these
4. Over time is _____
- (a) Actual hours being more than normal hours
 - (b) Actual hours being more than standard hours
 - (c) Standard hours being more than actual hours
 - (d) None of these
5. Major purpose of ascertaining equivalent production is _____
- (a) To ascertain cost of output
 - (b) To find profit or loss
 - (c) To control and reduce cost
 - (d) None of these

6. Which of the following is an example of by _____ product?
- (a) Diesel and petrol in an oil refinery
 - (b) Edible oils and oil cakes
 - (c) Curd and butter in a dairy
 - (d) Mustard seeds and mustard oil
7. While taking shut down decisions, the amount of contribution should be compared with
- (a) Escapable fixed costs
 - (b) Special costs
 - (c) Net escapable fixed costs
 - (d) None of the above
8. Break even chart is a chart of _____
- (a) Sales
 - (b) Total cost
 - (c) Profit
 - (d) Sales and Total cost



9. Activity Based Costing (ABC):
- (a) Uses a plant — wide overhead rate to assign overhead
 - (b) Is not expensive to implement
 - (c) Typically applies overhead costs using direct labor hours
 - (d) Uses multiply activity rates.

10. In responsibility centre, the output is called as —

- _____
- (a) Revenue
 - (b) Costs
 - (c) Both
 - (d) None

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

11. (a) State the elements of cost.

Or

- (b) Write the essentials of good costing system.

12. (a) Calculate Labour Turnover in
- (i) Separation method
 - (ii) Replacement method
 - (iii) flux method

Total No. of employees at the beginning of the month 2010

Total No. of employees at the end of the month 1990

No. of employees who left during the month 50

No. of employees who are recruited during the month 30

Or

- (b) How much will a worker get under Merrick Differential Piece Rate System?

Standard production per hour = 6 units.

Normal rate per hour = Rs, 1.20

In a day of 8 hours, units produced by a worker is 32 units.



13. (a) In process I, 600 units were introduced at Rs. 20 per unit. The normal process loss is 20% of the input. The scrap is sold at Rs. 3 per unit. Labour and overhead expenses incurred in the process amounted to Rs. 1,320. 500 units were completed and transferred to finished stock account. You are required to show the process account and abnormal gain account.

Or

- (b) Distinguish between Joint Products and By-Products.
14. (a) Explain the briefly the concept of "Break Even Analysis"?

Or

- (b) From the following data, Calculate:
- (i) P/V ratio
 - (ii) Profit when sales are Rs.20,000.
 - (iii) New break even point if selling price is reduced by 20%.

Fixed expenses Rs. 4,000

Break even point Rs. 10,000.

15. (a) Enumerate the features of cost reduction.

Or

- (b) Sketch the various types of responsibility centre.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

16. (a) Distinguish between financial accounting and cost accounting.

Or

- (b) From the following information prepare a cost sheet for the month of December 2015.

| | | |
|---|----------------|--------|
| Stock On Hand – 1.12.2015 | Raw Materials | 25,000 |
| | Finished Goods | 17,300 |
| Stock On Hand – 1.12.2015 | Raw Materials | 26,200 |
| | Finished Goods | 15,700 |
| Purchase of raw materials | | 21,900 |
| Carriage on purchases | | 1,100 |
| Work – in – progress 1.12.2015 at works cost | | 8,200 |
| Work – in – progress 31.12.2015 at works cost | | 9,100 |
| Sale of finished goods | | 72,300 |
| Direct wages | | 17,200 |



| | |
|------------------------------------|-------|
| Non productive wages | 800 |
| Direct expenses | 1,200 |
| Factory overheads | 8,300 |
| Administrative overheads | 3,200 |
| Selling and distribution overheads | 4,200 |

17. (a) Kumar Ltd, has three production departments P1 P2 and P3 and two service departments S1 and S2. The following figures are extracted from the records of the company: Rent and Rates Rs. 5,000; Indirect wages Rs. 1,500; Depreciation of machinery Rs. 10,000; General lighting Rs. 600; Power Rs. 1,500 and sundries Rs. 10000.

| Particular | Total | P1 | P2 | P3 | P4 | P5 |
|--------------------------|----------|--------|--------|----------|-------|-------|
| Floor space (Sq.meters) | 10,000 | 2,000 | 2,500 | 3,000 | 2,000 | 500 |
| Light point | 60 | 10 | 15 | 20 | 10 | 5 |
| Direct wages (Rs.) | 10,000 | 3,000 | 2,000 | 3,000 | 1,500 | 500 |
| H.P. of machine | 150 | 60 | 30 | 50 | 10 | - |
| Value of machinery (Rs.) | 2,50,000 | 60,000 | 80,000 | 1,00,000 | 5,000 | 5,000 |

Apportion the costs to various departments on the most equitable basis by preparing a Primary Departmental Distribution Summary.

Or

(b) Explain different methods of classification of overhead.

18. (a) A product has to pass through three distinct process(A, B and C) before it is transferred to finished stock a/c. The wastage of each process: A-10%; B-5%; C-10%. The wastage of each process: A -10%; 8-5%; C-10%. These wastages are to be calculated on the basis of the units entering each process. These selling price of wastage; A-Rs. 15 per unit B-Rs. 25 per unit and C-Rs. 30 per unit.

The finished product of each process is treated as raw material of next process. From process C, the finished product is transferred to finished stock account. Prepare the process a/c from the information given below:

| Particulars | Process A | Process B | Process C |
|---------------------|-----------|-----------|-----------|
| Raw materials | Rs.10,000 | Rs.15,100 | Rs.17,310 |
| Labour | 15,000 | 20,000 | 25,000 |
| Production expenses | 10,000 | 11,130 | 12,500 |

1000 units were introduced in process A@ Rs.25 per unit. The output of process A - 920 units; B-870 units and C-800 units.

Or

(b) What are by-products? Explain the methods of accounting for by-products.



19. (a) The records of Ram limited, which has three departments give the following figure:

| | Dept A Rs. | Dept B Rs. | Dept C Rs. | Total Rs. |
|---------------|---------------|---------------|---------------|--------------|
| Sales | 12,000 | 18,000 | 20,000 | 50,000 |
| Marginal cost | 13,000 | 6,000 | 15,000 | 34,000 |
| Fixed cost | 1,000 | 4,000 | 10,000 | 15,000 |
| Total cost | 14,000 | 10,000 | 25,000 | 49,000 |
| P/L | -2,000 | 8,000 | -5,000 | +1,000 |

The management wants to discontinue product C immediately as it gives the maximum loss. How would you advise the management?

Or

- (b) Distinguish between marginal costing and Absorption costing?
20. (a) Express the tools and techniques of cost reduction and cost control.

Or

- (b) Examine - "An Overview of Kaizen".