

**Answer Five questions
All questions carry EQUAL marks
Question No. 8 is Compulsory**

1. What do you mean by elements of cost? Discuss the various element of cost. **12 M**
2. What information could be generated from a cost management system that would help an organization manage its core competencies? **12 M**
3. What is activity-based costing? How does it differ from traditional product costing approaches? **12 M**
4. What is mean by process costing? Explain normal wastage, abnormal wastage and abnormal gain and state the accounting treatment of the same. **12 M**
5. The following results of a company for the last two years are as follows:

Period	Sales (₹)	Profit (₹)
2015	1,50,000	20,000
2016	1,70,000	25,000

You are required to calculate: **12 M**

- (i) P/V Ratio
 - (ii) B.E.P
 - (iii) The sales required to earn a profit of ₹40,000.
 - (iv) Profit when sales are ₹2,50,000.
 - (v) Margin of safety at a profit of ₹50,000 and
 - (vi) Variable costs of the two periods.
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6. Dimpy Co. A radio manufacturing company finds that the existing cost of a component, Z 200, is ₹6.25. The same component is available in the market at ₹5.75 each, with an assurance of continued supply. **12 M**

The breakup of the existing cost of the component is:

	₹
Materials	2.75 each
Labour	1.75 each
Other Variables	0.50 each
Depreciation and other Fixed Cost	<u>1.25 each</u>
Total cost	<u>6.25 each</u>

(a) Should the company make or buy? Present the case, when the firm cannot utilize the capacity elsewhere, profitably, and when the capacity can be utilized, profitably.

(b) What would be your decision, if the supplier has offered the component at ₹4.50 each?

7. A new product has been introduced for which an 80% learning curve is expected to apply. The standard labour information has been based on estimates of the time needed to produce the first unit which is 200 hours at \$50 per hour. The first four units took 700 hours to produce at a cost of \$37,500. **12 M**

Required

(a) The original labour rate and efficiency variances.

(b) The labour rate and efficiency variances which take into account the learning effect.

8. **CASE STUDY:** **12M**

The statement given below the Flexible Budget at 60 % capacity of Finolex Cable Ltd., Faizpur. Prepare a tabulated statement giving the budget figures at 75% and 90 % capacity where no indication has been given. Make your own classification of expenses between fixed, variable and semi-variable expenses.

Particulars	60 % capacity (₹)
Prime Cost Materials	1,60,000
Depreciation	60,000
Productive Wages	40,000
Rent	12,000
Indirect Materials	48,000
Insurance of Machinery	12,000
Indirect Labour	40,000
Electric Power (40% Fixed)	8,000
Repairs and Maintenance (60% Fixed)	20,000