



K16P 0450

Reg. No. :

Name :

**Second Semester M.Com. Degree (Regular/Supplementary/
Improvement) Examination, March 2016
(2014 Admn. Onwards)
COMMERCE**

COM 2C08 : Costing for Management Decisions

Time: 3 Hours

Max. Marks : 60

SECTION – A

Answer **any four** questions in this Section. **Each** question carries **1** mark for Part (a) **3** marks for Part (b) and **5** marks for Part (c).

1. a) What do you understand by cost control ?
b) What are the elements of cost control scheme ?
c) Briefly explain cost control techniques.
2. a) Define differential cost.
b) Distinguish between differential cost analysis and marginal costing.
c) At present, a company is working at 90% of its capacity and producing 13,500 units per annum. Its budget discloses the following data :

	90%	100%
	Rs.	Rs.
1) Sales	7,50,000	8,00,000
2) Fixed expenses	1,50,250	1,50,250
3) Semi-fixed expenses	48,750	50,250
4) Units produced	13,500	15,000
5) Variable expenses	72,500	74,750

Labour and material costs per unit are constant under the present conditions. Profit margin 10%. You are required to determine the differential cost of producing 1,500 units by increasing capacity to 100%.

P.T.O.



3. a) What is interlocked budgets ?
b) State objectives of budgetary control.
c) Point out the ratios with which the management can judge the performance of the budgetary control.
4. a) Define overhead variance.
b) Briefly explain different kinds of overhead variances.
c) Calculate expenditure variance from the following :
Standard output for the year – 4000 units
Actual output for the year – 5000 units
Standard variable overhead – Rs. 16,000
Actual variable overheads – Rs. 19,400.
5. a) What do you mean by margin of safety ?
b) Explain the methods used by the management to increase margin of safety.
c) Calculate the profits from the following :
a) Margin of safety Rs. 30,000 and P/V ratio 20% and
b) Sales Rs. 10,000, margin of safety 30%; and P/V ratio 20%.
6. a) What is Basic standard ?
b) Distinguish between cost centre and profit centre.
c) Explain features of variance calculations. (4×9=36)

SECTION – B

Answer the **two** questions in this Section. **Each** question carries **12** marks.

7. a) Explain different techniques of costing. On what grounds cost accounting is criticised ?

OR

- b) Discuss basic characteristics of marginal costing. State different methods for the calculation of marginal cost.



8. a) A Ltd. notices that while the cost of making a components is Rs. 20, the same is available in the market at Rs. 18 with an assurance of regular supply; Give your opinion to make it or buy the component. The cost information is as under :

	Rs.	
Material	7.00	
Direct labour	8.00	
Variable expenses	2.00	
Fixed expenses	<u>3.00</u>	Rs. 20.00

- i) What will be your advise, if the supplier reduces the price from Rs. 18 to Rs. 16 ?
- ii) Over and above the cost factor what points should also be considered before taking the make or buy decision ?

OR

b) From the data given below, you are required to compute variable overhead variance.

	Standard	Actual
Production	2500 units	2,000 units
Labour hours per unit	2	3
Total labour hours	5,000	6,000
Variable overhead	Rs. 10,000	Rs. 10,800

(2x12=24)
