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Electronics City P.O., Bengaluru - 560 100, Karnataka, INDIA (+91) 8088140679 pro@sfscollege.in www.sfscollege.in

END SEMESTER EXAMINATION –NOV/DEC 2025

COMMERCE – III SEMESTER BCOM

25BCO35A: FUNDAMENTALS OF COSTING

Time: 3 Hours **Max. Marks: 80**

Instruction: *Answer should be written completely in English.*

SECTION-A

1. Answer any **SEVEN** questions. Each question carries **TWO** marks. **(7X2=14)**

a) Define costing.
b) What is uniform costing?
c) Name any two techniques of inventory control?
d) Find out EOQ, if Annual usage is 4000 units, cost of material per unit is Rs 2, cost of placing and receiving one order is Rs 5, Annual carrying cost of one unit is 8% of inventory value.
e) What is time keeping?
f) What is an incentive scheme?
g) What is primary distribution of overheads?
h) What do you mean by machine hour rate?
i) State any four items which appear only in financial accounting.
j) Depreciation charged in financial books is 5600, and Depreciation charged in costing books are 6000, what will be the amount entered when we are preparing profit as per cost account.

SECTION-B

Answer any **THREE** questions. Each question carries **EIGHT** marks. **(3X8=24)**

2. From the following information for the month of January, prepare a Cost Sheet to show the following components: (a) Prime Cost, (b) Factory Cost, (c) Cost of Production, (d) Total Cost.

Direct material ₹ 57,000
Direct wages ₹28,500
Factory rent and rates ₹2,500
Office rent and rates ₹500
Plant repairs and maintenance ₹1,000
Plant depreciation ₹1,250
Factory heating and lighting ₹2,000
Factory managers salary ₹1,600 Director's remuneration ₹1,500 Telephone and postage ₹200
Printing and stationery ₹100

Legal charges ₹150
Advertisement ₹1500
Salesmen's salaries ₹2,500
Showroom rent ₹500
Sales ₹1,16,000

3. Briefly explain the various methods of stock levels.

4. In a manufacturing company a material is used as follows

   Reorder Quantity – 96000 units
   Maximum consumption – 24000 units per week
   Minimum consumption – 8000 units per week
   Normal consumption – 16000 units per week
   Time required for delivery Minimum 8 weeks, Maximum 12 weeks
   Calculate: Re order level, Minimum stock level, Maximum stock level and Average stock level.

5. Shri finishes a work in 480 hours against 600 hours allowed. Her hourly rate is Rs.5. She gets DA of Rs 16 per day for 8 hours in addition to her wages. Calculate her total income under Halsey (50:50) and Rowan incentive plans.
   If the material cost to be Rs 5000 and factory on cost is recovered at 50% of wages. Find out Factory cost under both the methods.

6. A factory has three Production Departments and two Service Departments. The overhead departmental distribution summary shows the following:

Production Departments	**Amount (₹)**
A	3,00,000
B	3,50,000
C	2,00,000
Service Departments	**Amount (₹)**
P	80,000
Q	60,000

The service departmental expenses of **P** and **Q** are to be allotted on a percentage basis as follows:

	A	B	C	P	Q
P	30%	20%	30%	–	20%
Q	40%	30%	20%	10%	–

Required:

Prepare a statement under, a) Secondary Distribution b) Simultaneous Equation Method

SECTION-C

Answer any **THREE** questions. Each question carries **FOURTEEN** marks. **(3X14=42)**

7. Bharat Engineering Company manufactured and sold 1,000 sewing machines in 2023. Following are the particulars obtained from the records of the company:

   Cost of materials ₹80,000
   Wages paid ₹1,20,000
   Manufacturing expenses ₹50,000
   Salaries ₹60,000
   Rent, rates and insurance ₹10,000
   Selling expenses ₹30,000
   General expenses ₹20,000
   Sales ₹4,00,000

   The company plans to manufacture 1,200 sewing machines in 2024. You are required to submit a statement showing the price at which machines would be sold so at to show a profit of 10% on the selling price. The following additional information is supplied to you:

   (a) The price of materials will rise by 20 per cent on the previous years level.
   (b) Wage rates will rise by 5 per cent.
   (c) Manufacturing expenses will rise in proportion to the combined cost of materials and wages.
   (d) Selling expenses per unit will remain unchanged.
   (e) Other expenses will remain unaffected by the rise in output.

8. Following is the history of receipts and issues of raw material in Nitin ltd., during April, 2025 April 1- Opening balance 500 units at Rs 25 per unit.

   April 3 - Issued 70 units.
   April 4 - Issued 100 units.
   April 8 - Issued 80 units.
   April 13 - Purchased 200 units at Rs 24.50 per unit
   April 14 - Return of surplus 15 units at Rs 24 per unit.
   April 16 - Issued 180 units.
   April 20 - Purchased 240 units at Rs 24.40 per unit.
   April 24 - Issued 180 units.

April 25 - Purchased 320 units @ Rs 24.30 per unit.
April 26 - Issued 112 units.
April 27 - Return of surplus 12 units @ Rs 24.50 per unit.
April 28 - Purchased 100 units @ 25 per unit and paid freight charges Rs 200.
The stock verification reveals that on the 15th April, 2025 there was a shortage of 5 units and on 27th April, 2025 another shortage of 8 units.

You are required to prepare stores ledger under FIFO method.

9. A factory has three Production Departments and two Service Departments.
The following data are extracted from the books:

Departments	**Production Departments**			**Service Departments**	
	X	Y	Z	A	B
Primary Overheads (₹)	31,240	50,172	18,188	16,000	10,400

The expenses of service departments **A** and **B** are to be allocated as follows:

Service Department	**X**	**Y**	**Z**	**A**	**B**
A	30%	40%	10%	–	20%
B	20%	20%	50%	10%	–

Estimated working hours of production departments are:
X – 1,000 hours, Y – 2,500 hours, Z – 1,400 hours.

Required:
Prepare a statement showing the distribution of the two service department overheads using:

i. Repeated Distribution Method
ii. Simultaneous Equation Method
iii. Calculate the hourly rate for each department

10. The net profits of a manufacturing company appeared at ₹74,500 as per financial accounts for the year ended 31st March 2025. The cost books, however, revealed a net profit of ₹ 88,460 for the same period. A careful scrutiny of the figures from both the sets of accounts revealed the following facts:
a) Income tax provided in financial books ₹10,000
b) Bank interest credited in financial books ₹250
c) Works overheads under recovered ~~in cost~~ books ₹1,550

d) Depreciation charged in financial books ₹5,600
e) Depreciation recovered in cost books ₹6,000
f) Administrative overheads over recovered ₹850
g) Loss due to obsolescence in financial accounts ₹2,800
h) Interest on investments not included in cost accounts ₹2,000
i) Stores adjustment (credited in financial books) ₹240
j) Loss due to depreciation in stock values charged in financial accounts ₹3,350

Prepare Reconciliation Statement and Memorandum of reconciliation statement.

11. From the following data you are required to Prepare a Reconciliation Statement and Memorandum of reconciliation statement.

Particulars	**Rs.**
Net Loss as per Cost Accounts	3,44,800
Works Overhead under-recovered in Cost Accounts	6,240
Depreciation overcharged in Cost Accounts	2,600
Administration Overheads recorded in excess in Cost Accounts	2,600
Interest on Investments	17,500
Goodwill written off in Financial Books	11,400
Income Tax paid	80,600
Stores Adjustment (credit) in Financial Books	950
Depreciation of Stock charged in Financial Books	13,500
Selling Overheads over-recovered in Cost Accounts	8,250
Notional Rent charged in Cost Accounts	40,000
Value of Closing Stock in Cost Accounts	20,750
Value of Closing Stock in Financial Accounts	18,750
Interest on Loan charged in Financial Accounts	1,000