III Semester B.Com. Examination, January/February 2026
(SEP 2024-25)
COMMERCE
COM – 3.3 : Fundamentals of Costing

Time : 3 Hours Max. Marks : 80

Instruction : *Answers should be written **completely** either in **English** or in **Kannada**.*

SECTION – A

Answer **any seven** sub-questions. **Each** sub-question carries **2** marks. **(7×2=14)**

1. a) Mention any two objectives of costing.

b) What is meant by prime cost ?

c) What is standard price method of material issued ?

d) What is VED analysis ?

e) What is time keeping ?

f) A company consumes 30000 units of raw materials per annum. The ordering cost is ₹ 150 per order, the cost of one unit is ₹ 20 and the storage cost is 20%. Calculate EOQ.

g) The standard time in a factory is 8 hours per day, a worker in the factory manufactured 40 units in a day. Calculate his earnings if the hourly wage rate is ₹ 10 per hour and the earnings if the piece rate is ₹ 2.5 per unit.

h) The time allowed for a task in a factory is 48 hours. Actual hours taken by a worker to complete the task is 40 hours. Calculate his earnings under Halsey plan, if the hourly wage is ₹ 10 per hour.

i) What are the basis for apportioning building rent and bonus ?

j) What is Memorandum Reconciliation Account ?

SECTION – B

Answer **any three** questions. **Each** question carries **8** marks. **(3×8=24)**

2. What is E-procurement ? Discuss the procedure of material purchase through E-procurement portal.

3. From the following information of Power Ltd. prepare Statement of Cost under Absorption Costing Method and Marginal Costing Method.

Particulars	**Amount in rupees**
Direct Materials	96,000
Direct Wages	28,000
Direct Expenses	10,000
Variable Overheads :	
Factory	15,000
Administration	8,000
Selling	10,000
Fixed Overheads :	
Factory	6,000
Administration	18,000
Selling	5,000
Sales	2,50,000

4. A manufacturing company gives you the following details about a raw material used in the production process :

Re-order quantity	3,600 Kgs
Maximum consumption	900 Kgs per week
Minimum consumption	300 Kgs per week
Normal consumption	600 Kgs per week
Re-order period	3 to 5 weeks
Maximum re-order period for emergency purchases	2 weeks

Calculate : Re-order level, minimum stock level, maximum stock level and danger levels.

5. The profits as per Cost Accounts is ₹ 20,000 and as per financial accounts is ₹ 19,700 for a manufacturing firm. The accountant has observed the following points :

	₹
Over recovery of Administration overhead in cost accounts	2,000
Income tax paid	2,000
Works overhead under recovered in cost accounts	800
Depreciation as per cost records	3,000
Depreciation as per financial records	2,400
Interest on investment received recorded in financial books	500
Dividend paid included only in financial accounts	600

Prepare a Reconciliation Statement.

6. Calculate machine hour rate from the following information.

Cost of Machinery	₹ 1,00,000
Design and Installation charges	₹ 10,000
Effective working life	10 years
Working hours	2000 hours per year
Repairs and maintenance	40% of depreciation

Power consumed 10 units per hour @ 15 paise per unit

Lubricants at ₹ 2 per day of 8 hours

Consumables at ₹ 12 per day of 8 hours

Wages of machine operator at ₹ 5 per day.

SECTION – C

Answer **any three** questions. **Each** question carries **14** marks. **(3×14=42)**

7. Sunrise Ltd. gives the following information for the year 2024.

	₹
• Direct materials	6,00,000
• Productive wages	5,00,000
• Factory expenses	3,00,000
• Administrative expenses	3,30,000
• Selling expenses	2,30,000
• Distribution expenses	1,40,000
• Profit	3,15,000

A special work order has to be executed in the year 2025 and the estimated expenses are as follows :

Materials	₹ 10,000
Wages	₹ 7,000

- Factory expenses are expected to increase by 20%.
- Administrative overheads are expected increase by 10%.
- Selling and distribution expenses are expected to be unchanged.
- Assume that factory overheads are based wages and administration, selling and distribution overheads are based on factory cost.

Prepare an estimated cost sheet for the year 2025 with a profit margin on cost at 10%.

8. Prepare stores ledger under FIFO and Weighted Average methods from the following information.

Date	Particulars	Quantity in Units	Price per unit in rupees
May 01	Opening Balance	10,850	13
May 02	Purchases	20,000	13.4
May 05	Issue	6,750	–
May 10	Issue	8,500	–
May 12	Received back from production issued on May 5th	550	–
May 17	Purchases	17,550	12.8
May 22	Issue	11,250	–
May 25	Stock verification shows loss	250	–
May 28	Issue	8,950	–
May 31	Issue	6,300	–

9. A worker's wages for a guaranteed 40 hours week is ₹ 50 per hour. The estimated time to manufacture one article is 30 minutes and under an incentive plan, the time allowed is increased by 50%. During a week, P manufactured 95 units whereas Q manufactured 100 units. Calculate the earnings of both the workers under

- Time rate
- Halsey plan
- Rowan plan

10. A manufacturing company provides the following information for the year ending 2024. Prepare an overhead distribution summary.

Particulars		Production Depts			Service Depts	
		A	B	C	P	Q
Direct wages	Rupees	7,000	6,000	5,000	1,000	1,000
Direct materials	Rupees	3,000	2,500	2,000	1,500	1,000
Employees	Numbers	200	150	150	50	50
Electricity	Kwh	8,000	6,000	6,000	2,000	3,000
Light points	Numbers	10	15	15	5	5
Value of assets	Rupees	50,000	30,000	20,000	10,000	10,000
Area occupied	Sq. meters	800	600	600	200	200

The expenses incurred by the company for the last one year are as follows :

	(in Rupees)
• Stores Overheads	800
• Motor power	3,000
• Lighting	400
• Labour benefits	6,000
• Depreciation	12,000
• Repairs and maintenance	2,400
• General expenses	20,000
• Rent, rates and taxes	1,200

The service department costs are to be allotted to production department in the following percentages.

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

Prepare overhead distribution summary under repeated distribution method.

11. From the following information, prepare a Reconciliation Statement.

Particulars	**Amount (₹)**
Net profit as per cost records	66,760
Net profit as per financial records	63,780
Factory overheads under-recovered in costing records	5,700
Administration overheads recovered in excess	4,250
Depreciation as per financial records	3,660
Depreciation as per costing records	3,950
Interest received but not recorded in cost records	450
Income tax paid as per financial records	600
Bank interest credited in financial records	230
Stores adjustment credited in financial books	420
Depreciation on stock charged in financial records	860
Dividends provided in financial accounts	1,200
Loss due to theft provided in financial accounts	260