

### Service Costing and Job & Batch Costing

**Time Allowed : 1 hour**
**TEST-6**
**Total Marks: 34 Marks**
**Q.1:** The following information relates to a bus operator:

Cost of the bus	₹ 18,00,000
Insurance charges	3% p.a.
Manger –cum accountant’s salary	₹ 8,000 p.m.
Annual Road Tax	₹ 50,000
Garage rent	₹ 2,500 p.m.
Repairs during the year	₹ 1,50,000
Expected life of the bus	15 years
Scrap value at the end of 15 years	₹ 1,20,000
Driver’s salary	₹ 15,000 p.m.
Conductor’s salary	₹ 12,000 p.m.
Stationery	₹ 500 p.m.
Engine oil (for 1200 kms.)	₹ 2,500
Diesel Cost (for 10 kms.)	₹ 52
Commission to driver and conductor (shared equally)	10 % of collections
Route distance	20 km long

The bus will make 3 round trips for carrying on the average 40 passengers in each trip. Assume 15% profit on collections. The bus will work on the average 25 days in a month. Calculate fare per passenger-km. Prepare Operating Cost Statement on annual basis.

**(10 Marks)**

**Q.2:** A group of ‘Health Care Services’ has decided to establish a Critical Care unit in a metro city with an investment of ₹ 85 lakhs in hospital equipment’s. The unit’s capacity shall be of 50 beds and 10 more beds, if required, can be added.

Other information for a year are as under:

Building rent	2,25,000 per month	₹
Manager’s salary (Number of managers -03)	50,000 per month for each one	
Nurses’ salary (number of nurses – 24)	18,000 per month to each nurse	
Word boy’s salary (Number of word boys -24)	9000 per month per person	
Payment to Doctors	5,50,000 per month	
Food and laundry services	39,53000 per year	
Medicines to patients	22,75,000 per year	
Administrative Overheads	28,00,000 per year	
Depreciation on equipment’s	15% per annum on original cost	

It was reported that for 200 days in a year 50 beds were occupied, for 105 days 30 beds were occupied and for 60 days 20 beds were occupied. The hospital also hired extra 25 beds for 10 days to handle COVID Patients for which hire charge of ₹ 950 per bed per day are agreed to be paid. Prepare Operating Cost Statement on Annual Basis to ascertain cost per bed per day

**(10 Marks)**

**Q.3:** The following costs were incurred for a job during the year ending 31-12-2013: -

Direct Materials - ₹ 5,000	Factory Overheads - ₹ 3,000
Direct Wages - ₹ 3,000	Administrative Overheads - ₹ 4,000 (Production)
Chargeable Expenses - ₹ 2,000	Selling and Distribution Overheads - ₹ 3,000

Selling price for the above Job was ₹ 25,000. You are required to prepare a statement showing the profit earned for the year 2013 from the Job and an estimated price of a Job which is to be executed in the year 2014. Materials, wages and chargeable expenses will be ₹ 8,000, ₹ 10,000 and ₹ 2,000 respectively for the Job. The various overheads will be recovered on the following basis while **calculating** the estimated price: - **(a)** Factory overheads as a percentage of direct wages. **(b)** Administration and selling and distribution overheads a percentage of factory cost. and **(c)** Profit as % of cost is to be maintained.

**(5 Marks)**

**Q.4:** A Ltd. manufactures mother boards used in smart phones. A smart phone requires one mother board. As per the study conducted by the Indian Cellular Association, there will be a demand of 180 million smart phones in the coming year. A Ltd. is expected to have a market share of 5.5% of the total market demand of the mother boards in the coming year. It is estimated that it costs ₹ 6.25 as inventory holding cost per board per month and that the set-up cost per run of board manufacture is ₹ 33,500.

- i. Compute the optimum run size for board manufacturing?
- ii. Assuming that the company has a policy of manufacturing 80,000 boards per run, calculate how much extra costs the company would be incurring as compared to the optimum run suggested in (i) above?

**(5 Marks)**

**Q.5:** How is Job Costing different from contract costing?

**(4 Marks)**