INTERMEDIATE EXAMINATION

December 2018

P–8(CAC)
Syllabus 2016

Cost Accounting

Time Allowed: 3 Hours | Full Marks: 100

The figures in the margin on the right side indicate full marks.

All Sections are compulsory. Each section contains instructions regarding the number of questions to be answered within the section.

All working notes must form part of the answer.

Wherever necessary, candidates may make appropriate assumptions and clearly state them.

No present value factor table or other statistical table will be provided in addition to this question paper.

Section – A

Section A contains Question Number 1. All parts of this question are compulsory.

1. **Answer the following questions**:

(a) **Choose the correct answer from the given alternatives** (You *may write* only the Roman numeral and the alphabet chosen for your answer): 1×10=10

(i) Joint Cost is suitable for

(a) Oil Industry

(b) Fertilizer Industry

(c) Ornament Industry

(d) Infrastructure Industry

(ii) Cost of idle time arising due to non-availability of raw materials is

(a) recovered by inflating the raw materials cost.

(b) recovered by inflating the wage rate.

(c) charged to factory overheads.

(d) charged to costing profit and loss account.

Please Turn Over

(iii) Charging to a cost center those overheads that result solely for the existence of that cost center is known as

(a) Allotment

(b) Allocation

(c) Absorption

(d) Apportionment

(iv) Standard deals with the cost of service cost center is

(a) CAS – 9

(b) CAS – 13

(c) CAS – 16

(d) CAS – 22

(v) In Reconciliation Statement income shown only in financial accounts is

(a) added to financial profit.

(b) deducted from financial profit.

(c) ignored.

(d) deducted from costing profit.

(vi) The most suitable cost system where the products differ in type of material and work performed is

(a) Process Costing

(b) Batch Costing

(c) Job Costing

(d) Operating Costing

(vii) In a process 10000 units are introduced during a period. 10% of input is normal loss. Closing work-in-process 70% complete is 1500 units. 7500 completed units are transferred to next process. Equivalent production for the period is

(a) 9550 units

(b) 9000 units

(c) 8550 units

(d) 8500 units

(viii) The sales and profit of a firm for the year 2016 are ₹ 1,50,000 and ₹ 20,000 and for the year 2017 are ₹ 1,70,000 and ₹ 25,000 respectively. The P/V Ratio of the firm is

(a) 15%

(b) 20%

(c) 25%

(d) 30%

(ix) Standard quantity of material for one unit output is 10 kg @ ₹ 8 per kg. Actual output during a given period is 600 units. The standard quantity of material for actual output is

(a) 1200 kg

(b) 6000 kg

(c) 4800 kg

(d) 48000 kg

(x) Which of the following is a long-term Budget?

(a) Master Budget

(b) Production Budget

(c) Flexible Budget

(d) Capital Budget

(b) **Match the statement in Column I with the most appropriate statement in Column II**

(*You may opt to write only the Roman numeral and the matched alphabet instead of copying contents into the Answer Books*): 1×5=5

	Column I		Column II
(i)	Cash discount allowed	(A)	Joint Cost
(ii)	Escalation Clause	(B)	Imputed Cost
(iii)	CAS-19	(C)	Direct Expenses
(iv)	Notional Cost	(D)	Not shown is cost sheet but debited to profit and loss account
(v)	Zero base budgeting	(E)	Sunk Cost
		(F)	Contract Costing
		(G)	Decision Package
		(H)	Variable Cost

(c) **State whether the following statements are 'True' or 'False'** (You may write only the Roman numeral and whether 'True' or 'False' without copying the statements into the Answer Book): 1×5=5

(i) Multiple costing is suitable for banking industry.

(ii) Slow moving materials have a high turnover ratio.

(iii) Cost ledger control account makes the cost ledger self-balancing.

(iv) There is inverse relationship between batch size and carrying costs.

(v) Marginal costing follows the identifiability wise classification of costs.

(d) **Fill in the blanks** (You *may write only the Roman numeral* and the content filling the blanks): 1×5=5

(i) __________ is discount allowed to the bulk purchaser.

(ii) CAS __________ stands for cost of utilities.

(iii) Under integrated accounting system, the accounting entry for payment of wages is to debit __________ and to credit cash account.

(iv) If the actual loss in a process is less than the normal loss, the difference is known as __________.

(v) The principal budget factor for consumer goods manufacturer is normally __________.

Section – B

*Answer **any five** questions from question numbers 2 to 8.*
Each question carries 15 marks. 15×5=75

2. (a) ZEDYAAH TUBES LTD. manufactures a special product, which requires ZEDY. The following particulars were collected for the year 2017-18:

(i) Monthly demand of Zedy : 7500 units

(ii) Cost of placing an order : ₹ 500

(iii) Re-order period : 5 to 8 weeks

(iv)	Cost per unit	:	₹ 60
(v)	Carrying cost % p.a.	:	10%
(vi)	Normal usage	:	500 units per week
(vii)	Minimum usage	:	250 units per week
(viii)	Maximum usage	:	750 units per week

Required:

Calculate the following:

(i) Re-order quantity

(ii) Re-order level

(iii) Minimum stock level

(iv) Maximum stock level

(v) Average stock level 7

(b) SONAX LTD. has three Production Departments and two Service Departments. The overhead distribution sheet showed the following totals:

		₹
Production Departments:		
	A	25,000
	B	31,000
	C	28,000
Service Departments:		
	S	8,000
	T	13,900

Required:

Using the following bases of apportionment, **distribute** the cost of service departments under Simultaneous Equation Method:

	A	**B**	**C**	**S**	**T**
Department S	30%	20%	40%	–	10%
Department T	40%	15%	25%	20%	–

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3. (a) What are the various types of materials included in the Material Cost as dealt with by CAS-6 relating to Cost Accounting Standard on Material Cost?

State the objective and scope of the Standard. 6

(b) The following information is available from the financial books of PQR Ltd. having a normal production capacity of 60000 units for the year ended 31st March, 2018:

(i) Sales ₹ 10,00,000 (50000 units)

(ii) There was no opening and closing stock of finished units.

(iii) Direct material and direct wages costs were ₹ 5,00,000 and ₹ 2,50,000 respectively.

(iv) Actual factory expenses were ₹ 1,50,000 of which 60% are fixed.

(v) Actual administrative expenses were ₹ 45,000 which are completely fixed.

(vi) Actual selling and distribution expenses were ₹ 30,000 of which 40% are fixed.

(vii) Interest and dividends received ₹ 15,000

You are required to

(A) find out profit as per financial books for the year ended 31st March, 2018.

(B) prepare the cost sheet and ascertain the profit as per cost accounts for the year ended 31st March, 2018 assuming that the indirect expenses are absorbed on the basis of normal production capacity.

(C) prepare a statement reconciling profits shown by financial and cost books. 9

4. (a) Z Ltd., manufactured and sold 200 typewriters in the year 2017. Its summarised Trading and Profit & Loss Account for the year 2017 is as follows:

Total Output (in units) 200

Particulars	₹	Particulars	₹
To Cost of Material consumed	1,20,000	By Sales	6,00,000
To Direct Wages	1,80,000		
To Manufacturing Charges	75,000		
To Gross Profit c/d	2,25,000		
	6,00,000		6,00,000
To Management Expenses	90,000	By Gross Profit b/d	2,25,000
To General Expenses	30,000		
To Rent, Rates & Taxes	15,000		
To Selling Expenses	45,000		
To Net Profit	45,000		
	2,25,000		2,25,000

For the year 2018, it is estimated that

(i) The output and sales will be 300 typewriters.

(ii) Price of material will rise by 25% compared to previous year level.

(iii) Wages per unit will rise by 10%.

(iv) Manufacturing charges will increase in proportion to the combined cost of material and wages.

(v) Selling expenses per unit will remain unchanged.

(vi) Other expenses will remain unaffected by the rise in output.

Required:

Prepare a Cost Sheet showing the cost at which typewriters will be manufactured in 2018 and give price at which it should by marketed so as to show profit of 10% on selling price. 8

(b) The following details are extracted from the costing records of EVINIE LTD., an oil mill for the year ended 31st March, 2018. Purchased 2000 tons of copra for ₹ 1,00,000 and other expenses were as under:

	Crushing (₹)	Refining (₹)	Finishing (₹)
Cost of Labour	10,000	6,000	4,000
Sundry Material	4,000	3,000	2,000
Electric Power	3,000	2,000	1,600
Steam	2,000	2,000	1,500
Repair of Machine	2,000	1,000	500
Cost of Casks	–	–	7,500

Factory Expenses were ₹ 10,000 to be apportioned on the basis of wages. 1700 tons of crude oil was produced; 1540 tons of oil was refined and finally 1500 tons of oil was finished for delivery. Realised ₹ 2,000 from sale of sacks; ₹ 5,000 by sale of 250 tons of copra residue and ₹ 5,100 by sale of 120 tons of by-products in refining process.

Prepare Process Accounts for the year ending on 31st March, 2018. 7

5. (a) GOLDEN TRANSPORT CO. has been given a route 20km. long for running buses. The company has a fleet of 10 buses each costing ₹ 60,000 and having a life of 5 years without any scrap value.

The following are estimated expenditure and other details:

(i)	Insurance charges	3% p.a.
(ii)	Annual tax for each bus	₹ 3,000
(iii)	Total garage charges	₹ 4,000 p.m.
(iv)	Driver's salary for each bus	₹ 10,000 p.m.
(v)	Conductor's salary for each bus	₹ 7,000 p.m.
(vi)	Annual repairs to each bus	₹ 6,000
(vii)	Commission to be shared by the driver and conductor equally: 10% of the takings	

(viii) Cost of stationary ₹ 1,500 p.m.

(ix) Manager's salary ₹ 12,000 p.m.

(x) Accountant's salary ₹ 9,000 p.m.

(xi) Petrol and oil ₹ 400 per 100 km

Each bus will make 3 round trips carrying on an average 40 passengers on each trip. The bus will run on an average for 25 days in a month.

Assuming 15% profit on takings, **Calculate the bus fare** to be charged from each passenger. 8

(b) OMEGA LTD. undertook a contract for ₹ 5,00,000 on 1st January, 2017. The company furnishes the following details for the year ended 31st December, 2017:

	₹
Materials consumed	1,65,000
Direct Expenses	5,000
Wages	30,000
Materials returned to stores	5,000
Materials stolen from site	10,000
Insurance claim admitted	6,000
Works expenses @ 20% on wages	
Office expenses @ 10% on works cost	
Materials in hand on 31.12.2017	15,000
Cash received to the extent of 90% of works certified	2,70,000
Cost of work uncertified	11,000

Plant sent to site costing ₹ 60,000 with a scrap value of ₹ 10,000 and its useful life is 5 years. The plant was used on the contract for 146 days.

Required:

Prepare Contract Account showing therein the cost of materials issued to site and the amount of profit or loss to be transferred to the Profit & Loss Account. 7

6. (a) A company budgets for a production of 5 lakh units at a variable cost of ₹ 20 each. The fixed costs are ₹ 20 lakh. The selling price is fixed to yield a profit of 25% on cost.

You are required to **calculate**

(i) P/V Ratio and Break even point.

(ii) If the selling price is reduced by 20%,

Ascertain:

(A) The effect of price reduction on the P/V Ratio and BEP.

(B) The number of units required to be sold at the reduced selling price to obtain an increase of 20% over the budgeted profit. 8

(b) AVONA LTD., a toy factory presents the following information for the year ended 31st March, 2018:

	₹
Material cost	1,20,000
Labour cost	2,40,000
Fixed overheads	1,20,000
Variable overheads	60,000
Units produced	12,000
Selling Price per Unit	50

The available capacity is a production of 20000 units per year. The firm has an offer for the purchase of 5000 additional units at a price of ₹ 40 per unit. It is expected that by accepting this offer there will be a saving of rupee one per unit in material cost on all units manufactured, the fixed overhead will increase by ₹ 35,000 and the overall efficiency will drop by 2% on all production.

State whether offer is acceptable or not. 7

7. (a) The details regarding the composition and the weekly wage rates of labour force of PB LTD engaged on a job scheduled to be completed in 30 weeks are as follows:

Category of Workers	Standard		Actual	
	No. of Workers	Weekly Wage Rate per worker (₹)	No. of Workers	Weekly Wage Rate per worker (₹)
Skilled	75	60	70	70
Semi-Skilled	45	40	30	50
Unskilled	60	30	80	20

The work is actually completed in 32 weeks.

Calculate the following Labour Variances: 8

(i) Labour Cost Variance (LCV)

(ii) Labour Rate Variance (LRV)

(iii) Labour Efficiency Variance (LEV)

(iv) Labour Revised Efficiency Variance (LREV)

(v) Labour Mix Variance (LMV)

(b) NP LTD produces a standard product. The estimated costs are given below:

	₹
Raw Materials	10
Direct Wages	8
Direct Expenses	2
Variable Overheads	3
	23

Semi-variable overheads at 100% capacity level (10,000 units) are expected to be ₹ 40,000 and these overheads vary in steps of ₹ 2,000 for each change in output of 1,000 units. Fixed overheads are estimated at ₹ 50,000. Selling price per unit is expected to be ₹ 40.

Required:

Prepare a Flexible Budget at 50%, 70% and 90% level of activity on marginal cost basis. 7

8. Answer *any three* out of the following four questions: 5×3=15

(a) State the advantages of cost control (*any five*).

(b) Describe briefly the main scope of cost accountancy.

(c) What is just-in-time (JIT) system? List out its main benefits.

(d) Write a brief note on Performance Budgeting describing its main concepts.
