INTERMEDIATE EXAMINATION

December 2025

P–8(CA)
Syllabus 2022

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 in the respective answer.

Section-A

Answer Question No. 1 which is compulsory and carries 30 marks.

Answer all questions under Section-A.

1. Choose the correct answer from the given four alternatives: **2×15=30**

(i) Basic objective of Cost Accounting is _______.

(A) Tax Compliance.

(B) Financial Audit.

(C) Cost Ascertainment.

(D) Interim Audit.

(ii) The reorder level is __________ units for the following information: Maximum usage 300 units; Minimum usage 200 units; Reorder period 8 to 10 days.

(A) 3,000

(B) 2,400

(C) 1,600

(D) 5,000

(iii) Selling price of a product is ₹ 500. A profit margin of 25% on cost is expected. Find out the cost price of the product.

(A) ₹ 400

(B) ₹ 625

(C) ₹ 375

(D) ₹ 250

(iv) Which CAS deals with the classification, measurement and assignment of selling and distribution overheads?

(A) CAS 3

(B) CAS 15

(C) CAS 8

(D) CAS 10

(v) CAS 12 deals with

(A) Repairs and maintenance.

(B) Cost of service cost centre.

(C) Administration overheads.

(D) Classification of cost.

(vi) Audit fees paid to cost auditors is part of _______.

(A) Selling and Distribution cost.

(B) Production cost.

(C) Administration cost.

(D) Notional cost.

(vii) In Reconciliation Statement, transfers to reserves are _______.

(A) Added to financial profit.

(B) Deducted from financial profit.

(C) Not to be considered.

(D) Added to costing profit.

(viii) When the concern is rendering service, then the method of costing to be applied is __________ costing.

(A) Job.

(B) Operating.

(C) Contract.

(D) Marginal.

(ix) Where 70% of the contract price is certified, the profit to be credited to P&L account will be equal to ________.

(A) $1/3 \times$ Notional profit

(B) $2/3 \times$ Notional profit

(C) $2/3 \times \text{Notional profit} \times \dfrac{\text{Cash received}}{\text{Work certified}}$

(D) All of the above

(x) In process 'B' 75 units of a commodity were transferred from process 'A' at a cost of ₹ 1,310. The additional expenses incurred by the process were ₹ 190. 20% of the units entered are normally lost and sold at ₹ 4 per unit. The output of the process was 70 units.

What is the value of output transferred to next process?

(A) ₹ 1,500

(B) ₹ 1,680

(C) ₹ 24

(D) ₹ 300

(xi) When margin of safety is 20% and P.V. ratio is 60%, the profit will be _______.

(A) 10%

(B) 12%

(C) 30%

(D) 20%

(xii) An increase in selling price _______.

(A) Increases the BEP.

(B) Decreases the BEP.

(C) Increases the variable cost per unit.

(D) Does not affect the BEP.

(xiii) _______ variance is the difference between the standard cost of materials specified and the actual cost of materials used.

(A) Material cost.

(B) Material price.

(C) Material usage.

(D) Material yield.

(xiv) The difference between fixed and variable cost has very importance in the preparation of _______.

(A) Fixed budget.

(B) Flexible budget.

(C) Master budget.

(D) Cash budget.

(xv) _____ is a factor whose influence affects all other budgets.

(A) Key factor.

(B) Production.

(C) Sales.

(D) Finance.

Section-B

Answer *any five* questions from Question No. 2 to Question No. 8 in Section-B.

Each question carries 14 Marks. 14×5=70

2. (a) The cost structure of an article, the selling price of which is ₹ 1,20,000, is as follows:

Direct materials	50%
Direct labour	20%
Overhead	30%

An increase of 15% in the cost of materials and of 25% in the cost of labour is anticipated. These increased cost in relation to the present selling price would cause a 25% decrease in the amount of present profit per article.

You are required:

(i) To prepare a statement of profit per article at present and

(ii) The revised selling price to produce the same percentage of profit to sales as before. 7

(b) X Ltd. is reviewing its stock policy, and has the following alternatives available for the evaluation of stock:

(i) Purchase stock twice in a month, 400 units.

(ii) Purchase monthly, 800 units.

(iii) Purchase every three months, 2,400 units.

(iv) Purchase six monthly, 4,800 units.

(v) Purchase annually, 9,600 units.

It is ascertained that the purchase price per unit is ₹ 40 for deliveries up to 2,000 units. A 5% discount is offered by the supplier on the whole order where deliveries are 2,001 to 4,000 units and 10% reduction on the total order for deliveries in excess of 4,000 units. Each purchase order incurs administration costs of ₹ 250. Interest on capital and other storage costs are ₹ 12.50 per unit of average stock quantity held. Calculate the optimum order size. 7

3. (a) From the details furnished below, you are required to calculate a comprehensive machine-hour rate: 7

Original purchase price of the machine	
(subject to depreciation at 10% per annum on original cost)	₹ 3,24,000
Normal working hours for the month	200 hours
(The machine works to only 75% of capacity)	
Wages of Machine man	₹ 125 per day (of 8 hours)
Wages for a Helper (Machine attendant)	₹ 75 per day (of 8 hours)
	₹
Power cost for the month for the time worked	15,000
Supervision charges apportioned for the machine centre for the month	3,000
Electricity & Lighting for the month	7,500
Repairs & Maintenance (machine) including consumable stores per month	17,500
Insurance of Plant & Building (apportioned) for the year	16,250
Other general expenses per annum	27,500

The workers are paid a fixed dearness allowance of ₹ 1,575 per month. Production bonus payable to workers in terms of an award is equal to 33.33% of basic wages and dearness allowance. Add 10% of the basic wage and dearness allowance against leave wages and holidays with pay to arrive at comprehensive labour-wage for debit to production.

(b) Two articles, A and B are produced in a production firm. From the details given below, prepare a statement regarding cost sheet and the financial position of the production firm: 7

	A	B
To produce 1 unit : direct material	₹ 12.50	₹ 7.50
To Produce 1 unit : direct wages	₹ 10.00	₹ 6.00
Production overhead charges towards wages 100%		

Office overhead charges, towards production centre's expenses 25% on works cost.

200 units of A and 500 units of B were produced and sold at the rates ₹ 50 and ₹ 30 respectively.

Production overhead expenses involved was ₹ 4,800 and office overhead expenses was ₹ 4,200.

4. (a) A transport company supplies the following details in respect of a truck of 6 ton capacity:

Cost of truck	₹ 1,20,000
Estimated life	10 years
Diesel, oil, grease	₹ 20 per trip each way
Repairs and maintenance	₹ 600 per month
Driver's wage	₹ 900 per month
Cleaner's wage	₹ 300 per month
Insurance	₹ 6,000 per annum
Tax	₹ 3,000 per annum
General supervision charges	₹ 6,000 per annum

The truck carries goods to and fro the city covering a distance of 60 kilometres each way. On onward trip freight is available to the extend of full capacity and on return 25% of capacity. The truck makes only one trip a day.

Calculate the Freight per ton per trip of the truck. 7

(b) Mr. Vasanth commenced his contract on 1st April, 2024. The following was the expenditure on the contract for ₹ 3,00,000:

Materials issued	₹ 51,000	Plant used	₹ 15,000
Wages	₹ 81,000	Other expenses incurred	₹ 5,000

Cash received on account of contract up to 31st March, 2025 amounted ₹ 1,28,000, being 80% of the work certified. Of the plant and materials charged to the contract, plant which costed ₹ 3,000 and materials worth ₹ 2,500 were lost. On 31st March, 2025, the cost of the work done but not certified ₹ 1,000. Materials in hand were ₹ 2,300. Charge 15% depreciation on plant.

Calculate the profit of the contract up to 31st March, 2025. 7

5. (a) A product passes through three processes. A, B and C. 10,000 units at a cost of ₹ 1 were issued to Process A. The other direct expenses were :

	Process A	**Process B**	**Process C**
	₹	₹	₹
Sundry Materials	1,000	1,500	1,480
Direct Labour	5,000	8,000	6,500
Direct Expenses	1,050	1,188	1,605

The wastage of Process A was 5% and Process B 4%. The wastage of Process A was sold at ₹ 0.25 per unit, B was sold at ₹ 0.50 per unit and that of C at ₹ 1.00 per unit. The overhead charges were 168% of direct labour. The final product was sold at ₹ 10.00 per unit, fetching a profit of 20% on sales.

Prepare the three process accounts and calculate the percentage of wastage in Process C. 7

(b) The standard labour employment and the actual labour engaged in a 40 hours week for a job are as under:

Category of workers	**Standard**		**Actual**	
	No. of	**Wage Rate (₹)**	**No. of**	**Wage Rate (₹)**
Skilled	65	45	50	50
Semi skilled	20	30	30	35
Unskilled	15	15	20	10

Standard output: 2,000 units; Actual output :1,800 units; Abnormal idle time : 2 hours in the week.

Required to calculate:

(i) Labour cost variance.

(ii) Labour Efficiency variance.

(iii) Labour idle time variance. 7

6. (a) India Ltd. engaged in production activities. An analysis of their accounting reveals:

Variable cost per unit	₹ 20
Fixed cost	₹ 50,000 for the year.
Capacity	2,000 units per year.
Selling price per unit	₹ 70

Required:

(i) Find the break even point.

(ii) Find the number of units to be sold to get a profit of ₹ 30,000.

(iii) If the company can manufacture 600 units more per year with an additional fixed cost of ₹ 2,000, what should be the selling price to maintain the profit per unit as at (ii) above? 7

(b) ABC Ltd., is engaged in three distinct lines of production. Their production cost per unit and selling prices are as under:

	A	**B**	**C**
Production (Units)	3,000	2,000	5,000
	₹	₹	₹
Material cost	18	26	30
Wages	7	9	10
Variable overheads	2	3	3
Fixed overheads	5	8	9
	32	46	52
Selling price	40	60	61
	8	14	9

The management wants to discontinue one line and gives you the assurance that production in two other lines shall rise by 50%. They intend to discontinue the line which produces Product A as it is less profitable.

As a cost accountant of the company, draw your inference about the discontinuance of Product A. 7

7. (a) From the following data, calculate the cash position at the end of April, May and June 2024: 7

Month 2024	Sales ₹	Purchase ₹	Wages ₹	Sales expenses ₹
February	1,20,000	80,000	10,000	7,000
March	1,30,000	98,000	12,000	9,000
Apirl	70,000	1,00,000	8,000	5,000
May	1,16,000	1,03,000	10,000	10,000
June	85,000	80,000	8,000	8,000

Further information:

Sales : 10% realised, in the month of sales, balance equally realised in two subsequent months,

Purchases : Creditors are paid in the month following the month of supply.

Wages : 20% paid in arrears in the following month.

Sales expenses paid in the month itself.

Income Tax ₹ 20,000 payable in June.

Dividend ₹ 12,000 payable in June.

Income from investment ₹ 2,000 received half-yearly in March and September.

Cash balance on hand as on 1.4.2024 ₹ 40,000.

(b) Describe the scope of CAS 5. 7

8. (a) Discuss the factors which influence installation of costing system. 4

(b) Give the meaning of Idle Time. Examine the reasons for Idle Time. 5

(c) Examine the different methods of costing. 5