

INTERMEDIATE EXAMINATION

December 2024

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.

Answer Question No. 1 and any five from questions nos. 2 to 8.

Section-A

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

1. Choose the correct answer from the given alternatives (You may write only the Roman numeral and the alphabet chosen for your answer). 2×15=30

- (i) Which one of the following classification is meant for distinction between Direct Cost and Indirect Cost?
- (A) Variability
 - (B) Function
 - (C) Element
 - (D) Controllability
- (ii) Which one of the following costs is the value of the best alternative course of action that was not chosen?
- (A) Sunk Cost
 - (B) Relevant Cost
 - (C) Economic Cost
 - (D) Imputed Cost
- (iii) Which one of the following is an example of by-product?
- (A) Mustard seeds and mustard oil
 - (B) Diesel and petrol in an oil industry
 - (C) Edible oils and oil cakes
 - (D) Curd and butter in a diary

(iv) NOB Ltd., is committed to supply 45000 bearings per annum to CINY Ltd., it is estimated that it costs 20 paise as inventory holding cost per bearing per month. If its Economics Batch Quantity (EBQ) is 3000 units (bearings), what will be the minimum inventory holding cost at optimum run size?

- (A) ₹ 3,600
- (B) ₹ 4,200
- (C) ₹ 5,800
- (D) None of the above

(v) State which of the following are the characteristics of Job Costing.

- (1) Homogeneous Products
- (2) Customer – driven production
- (3) Complete production possible within a single accounting period

- (A) (1) only
- (B) (1) and (2) only
- (C) (2) and (3) only
- (D) (1) and (3) only

(vi) SOTON Ltd., producing product NB provides the following information:

	₹
Royalty paid on sales	50,000
Design charges paid for the product	20,000
Hire charges of equipment used for production	6,000

Direct expenses will be:

- (A) ₹ 76,000
- (B) ₹ 80,000
- (C) ₹ 60,000
- (D) None of the above

(vii) Which one of CASs deals with the principle and methods of determining the repairs and maintenance cost?

- (A) CAS – 4 (Revised 2018)
- (B) CAS – 12 (Limited Revision 2017)
- (C) CAS – 15
- (D) CAS – 19

- (viii) GINT Ltd. made a loss of ₹ 2,00,000 during the year ending on March 31, 2024 as per costing records. If interest on investments, and Directors' fees were ₹ 10,000, and ₹ 40,000 respectively, what will be the Profit / Loss as per financial records?
- (A) Loss ₹ 3,80,000
(B) Loss ₹ 2,30,000
(C) Profit ₹ 1,40,000
(D) None of the above
- (ix) RONO Ltd., maintains a Margin of Safety (MOS) of 25% on current sales and earns a profit of ₹ 30 lakhs per annum. If the company has a profit – volume (P/V) ratio of 40%, its current sales amount to
- (A) ₹ 200 lakh
(B) ₹ 250 lakh
(C) ₹ 300 lakh.
(D) ₹ 325 lakh.
- (x) In the factory of ZAN Ltd. where standard costing is followed, 4000 kg of materials at ₹ 10 per kg were actually consumed resulting in materials price variance of ₹ 2,000 (Adv.). What will be the standard cost of material per kg?
- (A) ₹ 10.50
(B) ₹ 9.50
(C) ₹ 9.00
(D) None of the above
- (xi) MR. KUNT a worker has time rate of ₹ 45 per hour, he takes 40 hours to complete a job. If time allowed for a job is 48 hours, what will be total earning of Mr. Kunt under Rowan Plan (Bonus Scheme)?
- (A) ₹ 2,100
(B) ₹ 2,160
(C) ₹ 2,200
(D) None of the above
- (xii) Batch costing is applied effectively in the following situation:
- (A) Paper manufacturing
(B) Drug manufacturing
(C) Designer clothes manufacturing
(D) Oil refining

- (xiii) If the raw material prices are suffering from inflation, which of the following methods of valuing stock will give the lowest gross profit?
- (A) LIFO method
 - (B) FIFO method
 - (C) Replacement cost
 - (D) Inflated price method
- (xiv) Fixed costs are treated as
- (A) Conversion Costs
 - (B) Prime Costs
 - (C) Period Costs
 - (D) Both (A) & (B)
- (xv) The Budget that is prepared first of all is
- (A) Master Budget
 - (B) Budget, with key factor
 - (C) CASH Budget
 - (D) Capital Expenditure Budget

SECTION - B

(Answer any Five questions)

Each question carries 14 Marks.

14×5=70

2. (a) The following financial parameters of ZONB Ltd. are available for the month of September 2024.

Direct Labour Cost	: ₹ 1,20,000 (120 % of Factory overheads)
Raw Materials Purchased	: ₹ 1,65,000
Sales	: ₹ 5,00,000
Cost of Sales	: ₹ 4,00,000

Accounts shows the following figures:

	1st September 2024 (₹)	30th September 2024 (₹)
Inventory:		
Raw material	20,000	35,000
Work-in-progress	20,000	30,000
Finished goods	50,000	60,000
Other details:		
Selling expenses		22,000
General & Admin expenses		18,000

General & Admin expenses are not relating to the production activity.

Required:

Summarize a Cost Sheet for the month of September 2024 showing:

- (i) Prime cost
- (ii) Work cost
- (iii) Cost of goods sold
- (iv) Cost of sales and profit earned

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- (b) DONX Ltd. uses three types of materials P, Q, and R for production of product M for which the following data apply:

Raw Material	Usage per unit of product (kgs)	Re-order quantity (kgs.)	Price per kg.	Delivery period			Re-order level (kgs.)	Minimum level (kgs.)
				(in weeks)				
				Minimum	Average	Maximum		
P	10	10000	0.10	1	2	3	8000	?
Q	4	5000	0.30	3	4	5	4750	?
R	6	10000	0.15	2	3	4	?	2000

Weekly production varies from 175 to 225 units, averaging 200 units of the said product M.

Required:

Calculate the following quantities:

- (i) Minimum stock of P.
- (ii) Minimum stock of Q.
- (iii) Re-order level of R.
- (iv) Average stock level of P.

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3. (a) DOZIN Ltd. manufactures a single product. It recovers factory overheads at a pre-determined rate of ₹ 20 per man day.

During the year 2023-24, the total factory overheads incurred and the man-days actually worked were ₹ 35.50 lakhs and 1.50 lakh days respectively. Out of the amount of ₹ 35.50 lakhs, ₹ 2.00 lakhs were in respect of wages for strike period and ₹ 1.00 lakh was in respect of expenses of previous year booked in this current year. During the period, 50000 units were sold. At the end of the period, 12000 completed units were held in stock but there was no opening stock of finished goods. Similarly, there was no stock of uncompleted units at the beginning of the period but at the end of the period there were 20000 uncompleted units which may be treated as 65% complete in all respects.

On investigation, it was found that 40% of the unabsorbed overheads were due to factory inefficiency and the rest were attributable to increase in the cost of indirect materials and indirect labour.

Required:

- (i) Calculate the amount of unabsorbed overheads during the year 2023-24.
 - (ii) Analyze the accounting treatment of unabsorbed overheads in cost Accounts. 7
- (b) The following information is available from the Financial Books of SONT Ltd. newly established company for the year ended 31st March 2024.

(Amount in ₹)

Direct Material Consumption	50,00,000
Direct Wages	30,00,000
Factory Overhead	16,00,000
Administrative Overhead	7,00,000
Selling and Distribution Overhead	9,60,000
Bad Debts	80,000
Preliminary Expenses written off	40,000
Legal Charges	10,000
Dividends Received	1,00,000
Interest Received on Deposits	20,000
Sales (120000 units)	120,00,000
Closing Stock:	
Finished Goods (4000 units)	3,20,000
Work-in-progress	2,40,000
Profit (Net) for the year 2023-24	12,90,000

The cost accounts for the same period reveal that the direct material consumption was ₹ 56,00,000. Factory overhead is recovered at 20% on prime cost.

Administration overhead is recovered at ₹ 6 per unit of production. Selling and distribution overheads are recovered at ₹ 8 per unit sold.

Required:

- (i) Prepare the Profit and Loss Accounts both as per financial records and as per cost records.
- (ii) Reconcile the profits as per the two records.

4. (a) PRANO SERVICES Ltd. owns a bus and operates a tourist service on daily basis. The bus starts from New Town to Sweet Village and return back to New Town the same day. Distance between New Town and Sweet Village is 250 kms. This trip operates for 10 days in a month. The bus also plies for another 10 days between New Town and Rajpur and returns back to New Town the same day, distance between these two place is 200 kms. The bus makes local sight seeing trips for 5 days in a month covering a total distance of 80 kms. per day.

The following data are given below :

Cost of bus ₹ 70,80,000. Depreciation : 20% (Charged by Straight Line Method)

Driver's salary - ₹ 20,000 p.m.

Conductor's salary - ₹ 12,000 p.m.

Part - time clerk's salary ₹ 6,000 p.m.

Insurance - ₹ 24,000 p.a.

Diesel consumption 10 kms. per litre @ ₹ 90 per litre

Token tax - ₹ 36,000 p.a.

Permit fee - ₹ 4,000 p.m.

Sundry expenses - ₹ 5,389 for the month

Lubricant oil - ₹ 800 for every 200 kms.

Repairs and maintenance ₹ 17,236 per month

Normal capacity of the bus : 60 passengers

While plying to and fro Sweet Village the bus occupies 90% of the capacity and 80% while it plies between New Town to Rajpur (Both ways). In the New Town the bus runs full capacity. The company earns a profit margin of 25% on takings. (Ignore interest & taxation).

You are required to calculate the bus fare rate to be charged to Sweet Village, and Rajpur from New Town and local trips per passenger. 7

- (b) XINOS Ltd., a contractor, prepares his accounts for the year ended March, 31 each year. The company commenced a contract on July 1, 2023. The following information related to the contract as on March 31, 2024.

	₹
Material	2,51,000
Labour Charges	5,65,600
Salary to Foreman	81,300

A machine costing ₹ 2,60,000 has been on the site for 146 days, its working life is estimated at 7 years and its final scrap value at ₹ 15,000.

A supervisor, who is paid ₹ 8,000 p.m. has devoted one – half of his time to this contract. All other expenses and administration charges amount to ₹ 1,36,500.

Material in hand at site costs ₹ 35,400 on 31.03.24. The contract price is ₹ 20,00,000. On March 31, 2024 two-third of the contract was completed. The architect issued certificates covering 50% of the contract price, and the contractor had been paid ₹ 7,50,000 on account.

Required :

- (i) Prepare Contract Account for the year ended March 31, 2024.
 - (ii) Calculate the profit to be transferred to Profit Loss A/c. for the year ended March 31, 2024.
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5. (a) MONTECH Ltd. is engaged in process engineering industry. Its product ZP passed through two process A and B. During the month of September 2024 the input to process A of basic Raw Material was 8000 units @ ₹ 9 per unit.

Other information for the month is as follows :		
	Process A	Process B
Output units	7500	4800
Normal loss (% to input)	5%	10%
Scrap value per unit (₹)	2	10
Direct wages (₹)	12000	24000
Direct expenses (₹)	6000	5000
Selling price per unit (₹)	15	25

Total overheads ₹ 17,400 were recovered as percentage of direct wages. Selling expenses were ₹ 5,000. They are not allocated to the processes. 2/3rd of the output of Process A was passed on to the next process and the balance was sold. The entire output of Process B was sold. It is assumed that Process A and Process B are not responsibility centre.

Required :

- (i) Prepare Process A and Process B Accounts.
- (ii) Calculate the profit of Process A and B for the month of September 2024.

- (b) The following information is extracted from the record of EMON Ltd., a manufacturing company using Standard Costing System for the week ended October 2024.

	Standard		Actual	
	Quantity	Unit Price	Quantity	Unit Price
Material S	60%	₹ 20	44 kg.	₹ 25
Material T	40%	₹ 10	66 kg.	₹ 5
Processing Loss	10 %	—	—	
Actual output is 90 kg.				

Required :

From the information stated Supra, analyse the following variances :

- (i) Material Cost Variance.
- (ii) Material Price Variance
- (iii) Material Usage Variance
- (iv) Material Mix Variance
- (v) Material Yield Variance

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6. SENTOR Ltd., a manufacturing company, manufactures a single product with a capacity of 150000 units per annum. The summarized profitability statement for the year is as under :

		₹	₹
Sales : 100000 units @ ₹ 15 per unit			15,00,000
Cost of Sales :			
Direct Materials		3,00,000	
Direct Labour		2,00,000	
Production Overhead :	Variable	60,000	
	Fixed	3,00,000	
Administration Overheads (Fixed)		1,50,000	
Selling and Distribution Overheads:	Variable	90,000	
	Fixed	1,50,000	12,50,000
	Profit		2,50,000

Required :

Evaluate the following options : (Each option is to be treated independently).

- (i) Calculate the amount of sales required to earn a target profit of 25% on sales, if the packing is improved at a cost of ₹ 1 per unit.
- (ii) There is an offer from a large retailer to purchase 30000 units per annum, subject to providing a packing with a different brand name at a cost of ₹ 2 per unit. However, in this case there will be no selling and distribution expenses. Also this will not, in any way, affect the company's existing business. Identify the break-even price for this additional offer.
- (iii) If an expenditure of ₹ 3,00,000 is made on advertising, the sales would increase from the present level of 1,00,000 units to 1,20,000 units at a price of ₹ 18 per unit. Will that expenditure be justified ?
- (iv) If the selling price is reduced by ₹ 2 per unit, there will be 100% capacity utilization. Will the reduction of selling price be Justified ?
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7. (a) A department of SONEX Ltd., a manufacturing company, attains sales of ₹ 6,00,000 at 80% of its normal capacity. Its expenses are given below :

	₹	Selling Costs :	
Office salaries	90,000	Salaries	8% of sales
General expenses	2% of sales	Travelling expenses	2% of sales
Depreciation	7,500	Sales office	1% of sales
Rent and rates	8,750	General expenses	1% of sales
Distribution costs :			
Wages (₹)			15,000
Rent			1% of sales
Other expenses			4% of sales

Note : All fixed costs are assumed to remain unchanged, even at 110% capacity.

Required :

Prepare Flexible, Administration, Selling and Distribution Costs Budget, operating at 90 per cent, 100 per cent and 110 per cent of normal capacity for the month of September 2024.

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- (b) Summarize the objectives and scope of Cost Accounting Standard (CAS) – 5 on determination of Average (Equalized) Cost of Transportation.
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8. Answer the following questions :

- (a) Summarize the objectives of Cost Accounting (Any Four) 4
- (b) JUST – in TIME (JIT) inventory system focuses on “the right material at the right time, at the right place and in the exact amount” without the safety net of inventory. In this context, enumerate the advantages of Just – in – Time (JIT). 5
- (c) Enumerate the disclosures of CAS – 3 on production and operation overheads (Any five). 5
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