

Paper 8 – Cost Accounting

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Full Marks: 100

Time allowed: 3 hours

Question No 1 is Compulsory.

Answer any five Questions from the rest.

Working Notes should form part of the answer.

1. (a) Match the statement in Column I with the most appropriate statement in Column II :

[1×5 =5]

Column I	Column II
1. Historical Cost	A. Total sales less BEP sales
2. Zero based budgeting	B. Floor area occupied
3. Direct Expenses	C. CAS 10
4. warehouse rent	D. Decision Package
5. Margin of Safety	E. Sunk Cost

(b) Choose the correct answer from the given four alternatives:

[1 x10=10]

- (i) Which of the following items is not excluded while preparing a cost sheet?
- A. Goodwill written off
 - B. Provision for taxation
 - C. Property tax on factory building
 - D. Interest paid
- (ii) Cost price is not fixed in case of
- A. Cost plus contracts
 - B. Escalation clause
 - C. De Escalation clause
 - D. All of the above
- (iii) Equivalent production of 1,000 units, 60% complete in all respects, is :
- A. 1000 units
 - B. 1600 units
 - C. 600 units
 - D. 1060 units
- (iv) Fixed cost is 30,000 and P/V ratio is 20%. Compute breakeven point.
- A. ₹ 160,000
 - B. ₹ 150,000
 - C. ₹ 155,000
 - D. ₹ 145,000
- (v) Difference between standard cost and actual cost is called as
- A. Wastage
 - B. Loss
 - C. Variance
 - D. Profit

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- (vi) Which of the following is considered as normal loss of material?
- A. Pilferage
 - B. Loss due to accident
 - C. Loss due to careless handling of material
 - D. None of these.
- (vii) Joint Cost is suitable for
- A. Infrastructure Industry
 - B. Ornament Industry.
 - C. Oil Industry
 - D. Fertilizer Industry
- (viii) Standard deals with the principles and methods of determining the manufacturing Cost of excisable goods-
- A. CAS 12
 - B. CAS 15
 - C. CAS 22
 - D. CAS 2
- (ix) Cost variance is the difference between
- A. The standard cost and marginal cost
 - B. The standards cost and budgeted cost
 - C. The standards cost and the actual cost
 - D. None of these
- (x) If sales are ₹ 150,000 and variable cost are ₹ 50,000. Compute P/V ratio.
- A. 66.66%
 - B. 100%
 - C. 133.33%
 - D. 65.66%

(c) Fill in the blanks.

[1×5 =5]

- (i) Store Ledger is kept and maintained in _____.
- (ii) Penalties/ damages paid to statutory authorities' _____ be form part of Direct Expenses.
- (iii) The _____ product generally has a greater sale value than by product.
- (iv) When sales are ₹300,000 and variable cost is ₹180,000, P/V ratio will be _____ .
- (v) The method of costing used in undertaking like gas companies, cinema houses, hospitals etc is known as _____.

(d) State whether the following statements are TRUE or FALSE.

[1×5 =5]

- (i) Costs incurred prior to the split off point are known as "Joint Costs"
- (ii) Job costing is applied only in small concerns.
- (iii) Standards cost, once fixed cannot be altered.
- (iv) To achieve the anticipated targets, planning, co-ordination and Control are the important main tasks of management, achieved through budgeting and budgetary control.
- (v) Travelling expenses to site is a direct expense.

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2. a) A contractor has undertaken a construction work at a price of ₹5,00,000 and began the execution of work on 1st January, 2015. The following are the particulars of the contract up to 31st December, 2015.

Particulars	Amount ₹	Particulars	Amount ₹
Machinery	30,000	overheads	8,252
Materials	1,70,698	Materials returned	1,098
Wages	1,48,750	Work certified	3,90,000
direct expenses	6,334	Cash received	3,60,000
Uncertified work	9,000	Materials on 31.12.2015	3,766
Wages outstanding	5,380		
Value of plant on 31.12. 2015	22,000		

It was decided that the profit made on the contract in the year should be arrived at by deducting the cost of work certified from the total value of the architects certificate, that 1/3 of the profit so arrived at should be regarded as a provision against contingencies and that such provision should be increased by taking to the credit of Profit and Loss Account only such portion of the 2/3rd profit, as the cash received to the work certified. [8]

- (b) From the following particulars with respect to a particular item of materials of a manufacturing company, calculate the best quantity to order:

Ordering quantities (tonne)	Price per ton Amount (₹)
Less than 250	6.00
250 but less than 800	5.90
800 but less than 2,000	5.80
2,000 but less than 4,000	5.70
4,000 and above	5.60

The annual demand for the material is 4,000 tonnes. Stock holding costs are 20% of material cost p.a. The delivery cost per order is ₹ 6.00 [7]

- 3.(a) The New Enterprises Ltd. has three producing departments A,B and C two service Departments D and E. The following figures are extracted from the records of the Co.

	₹
Rent and rates	5,000
General Lighting	600
Indirect Wages	1,500
Power	1,500
Depreciation on Machinery	10,000
Sundries	10,000

The following further details are available:

	A	B	C	D	E
Floor Space(Sq.Mts.)	2,000	2,500	3,000	2,000	500

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Light points	10	15	20	10	5
Direct Wages	3,000	2,000	3,000	1,500	500
H.P. of machines	60	30	50	10	-
Working hours	6,226	4,028	4,066	-	-
Value of Material	60,000	80,000	1,00,000	-	-
Value of Assets	1,20,000	1,60,000	2,00,000	10,000	10,000

The expenses of D and E are allocated as follows:

	A	B	C	D	E
D	20%	30%	40%	-	10%
E	40%	20%	30%	10%	-

What is the factory cost of an article if its raw material cost is ₹ 50, labour cost ₹30 and it passes through departments A, B and C. For 4, 5 & 3 hours respectively **[9]**

(b) List any six functions of the Cost Accounting Standards Board **[6]**

4. (a) Workmen of a particular grade working on 8 hour shift duty are guaranteed a wage of ₹32. An incentive scheme is in operation according to which production bonus is earned directly proportional to performance but only after 100% performance is reached. Four workmen A,B,C and D produce 48, 60, 75 and 90 units respectively in 6 hours working on a job which has standard time of 6 minutes per unit as measured work content. Remaining 2 hours of the shift are spent in doing unmeasured work for which no incentive bonus can be paid. Find for each workman:

(i) The production performance level achieved;

(ii) Total earnings for the day. **[4+4]**

(b) A transistor manufacturer, who commenced his business on 1st June, 2017 supplies you with the following information and asks you to prepare a statement showing the profit per transistor sold. Wages and materials are to be charged at actual cost, works overhead at 75% of wages and office overhead at 30% of works cost. Number of transistors manufactured and sold during the year was 540.

Other particulars:

Materials per set	₹240
Wages Per set	₹ 80
Selling price per set	₹600

If the actual works expenses were ₹ 32,160 and office expenses were ₹ 61,800, prepare a Reconciliation Statement **[7]**

5. (a) What are the disclosure requirements as per CAS-10 (Limited Revision 2017)? **[7]**

(b) From the data given below, calculate the Material Price Variance, Material Usage Variance, Material Mix Variance, Material Cost Variance and Material Sub-Usage Variance:

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Raw Material	Standard	Actual
A	40 Units @ ₹50 per unit	50 Units @ ₹50 per unit
B	60 Units @ ₹40 per unit	60 Units @ ₹45 per unit

[8]

6. (a) A product passes through three processes— A, B and C. 10,000 units at a cost of ₹1.10 were issued to Process A. The other direct expenses were as follows:

	Process A	Process B	Process C
Sundry Materials	1,500	1,500	1,500
Direct Labour	4,500	8,000	6,500
Direct Expenses	1,000	1,000	1,503

The wastage of process "A" was 5% and in process "B" 4%.

The wastage of process "A" was sold at ₹0.25 per unit and that of "B" at ₹0.50 per unit and that of C at ₹1.00. The overhead charges were 160% of direct labour. The final product was sold at ₹10 per unit fetching a profit of 20% on sales. Find out the percentage of wastage in Process C.

[10]

- (b) What is the significance of Operating Costing? [5]

7. (a) Distinguish between Absorption Costing and Marginal Cost. [5]

- (b) A factory is currently working to 40% capacity and produces 10,000 units. At 50% the selling price falls by 3%. At 90% capacity the selling price falls by 5% accompanied by similar fall in prices of raw material. Estimate the profit of the company at 50% and 90% capacity production.

The cost at present per unit is:

Material	₹ 10
Labour	₹ 3
Overheads	₹ 5 (60% fixed)

The selling price per unit is ₹ 20 per unit.

[10]

8. Write Short note on the following (any three) [3x5=15]

- Master Budget
- Cost Centre
- Port Sector
- Advantages of Job Costing
- Limitations of standard costing