

## **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. Direct Labour rate variance	A. No. of orders
2. Credit and collection	B. CAS 18
3. Inherent features of process industry	C. Automobile garages
4. Research and Development Cost	D. Work in progress
5. Job costing is used in	E. (Standard Rate minus Actual Rate) x Actual hour

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

[1 x10=10]

- (i) Depreciation is an example of -  
A. Fixed Cost  
B. Variable Cost  
C. Semi Variable Cost  
D. None of these
- (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) The technique of differential cost is adopted when  
A. To ascertain P/V ratio  
B. To ascertain marginal cost  
C. To ascertain cost per unit  
D. To make choice between two or more alternative courses of action
- (iv) Time keeping refers to  
A. Time spent by workers on their job  
B. Time spent by workers in factory  
C. Time spent by workers without work  
D. Time spent by workers on their job
- (v) The allotment of whole items of cost of centres or cost unit is called  
A. Cost allocation

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- B. Cost apportionment
- C. Overhead absorption
- D. None of the above

(vi) Direct material is a –

- A. Administration Cost
- B. Selling and Distribution cost
- C. All of these
- D. None of these

(vii) Standard price of material per kg is ₹ 20, standard usage per unit of production is 5 kg. Actual usage of production 100 units is 520 kgs, all of which was purchase at the rate of ₹ 22 per kg. Material Cost Variance is

- A. 2,440 (A)
- B. 1,440 (A)
- C. 1,440 (F)
- D. 2,300 (F)

(viii) A manufacturing Industry produces product P, Royalty paid on sales is ₹ 23,500 and design charges paid for the product is 1,500. Compute the Direct Expenses.

- A. 25,000
- B. 22,000
- C. 26,500
- D. D None of these

(ix) In a Job Cost system, costs are accumulated

- A. On a monthly basis
- B. By specific job
- C. By department or process
- D. By kind of material used

(x) Budgets are shown in ..... Terms

- A. Qualitative
- B. Quantitative
- C. Materialistic
- D. both (b) and (c)

(c) Fill in the blanks.

[1×5 =5]

- (i) Standard cost is a \_\_\_\_\_ cost.
- (ii) In \_\_\_\_\_ Systems, basic of wages payment is the quantity of work.
- (iii) Overheads are an aggregate of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.
- (iv) Notional remuneration to owner is expense debited only in \_\_\_\_\_.
- (v) If the actual loss in a process is less than the normal loss, the difference is known as \_\_\_\_\_.

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

[1×5 =5]

- (i) CAS 9 is for Direct Expenses as issued by the Cost Accounting Standards Board (CASB) of the Institute of Cost Accountants of India.
- (ii) Sales budget, normally, is the most important budget among all budgets.
- (iii) At breakeven point, contribution available is equal to total fixed cost.
- (iv) Closing stock of work-in-progress should be valued on the basis of prime cost.

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(v) A blanket overhead rate is a single overhead rate computed for the entire factory.

2. a) Explain the objective of Cost Accounting Standard Board. [7]

(b) Two fitters, a laborer and a boy undertake a job on piece rate basis for ₹ 1,290. The time spent by each of them is 220 ordinary working hours. The rates of pay on time-rate basis are ₹ 1.50 per hour for each of the two fitters, ₹ 1 per hour for the laborer and ₹ 0.50 per hour for the boy.

**Calculate:**

(i) The amount of piece-work premium and the share of each worker, when the piecework premium is divided proportionately to the wages paid.

(ii) The selling price of the above job on the basis of the following additional data:  
Cost of Direct Material ₹ 2010, Works overhead at 20% of prime cost, Selling Overhead at 15% of Works Cost and Profit at 25% on Cost of sales. [8]

3.(a) The following results of a company for the last two years are as follows:

Amount (₹)		
Year	Sales	Profit
2014	1,50,000	20,000
2015	1,70,000	25,000

You are required calculate:

(i) P/V Ratio

(ii) B.E.P

(iii) The sales required to earn a profit of ₹ 40,000

(iv) Profit when sales are ₹ 2,50,000

(v) Margin of safety at a profit of ₹ 50,000 and

(vi) Variable costs of the two periods. [9]

(b) What are the causes of Labour Rate Variance? [6]

4.(a) The city pride Theatre has revealed the following estimates of their cinema hall:

Salary 1 manager ₹ 8,000 pm, 10 door keepers ₹ 2,000 pm, 2 operators ₹ 4,000 pm, 4 booking clerks ₹ 2,500 pm

**Annual expenses:**

Electricity ₹ 12,00,000

Carbon ₹ 3,00,000

Misc. expenses ₹ 1,50,000

Advertising ₹ 7,50,000 (it would earn income of ₹ 25,000 on advertisements shown in the hall)

Hire of films ₹ 15,00,000 per film on 15 films

Administration expenses ₹ 80,000

The premises cost ₹ 60 lacs and are to be depreciated over 15 years. Projector and other equipments cost ₹ 25 lacs and to be depreciated @ 25% pa.

The plan is to have 3 daily shows on all 360 days in a year. The capacity is 625 seats divided into

Lower class 250

Upper class 250 and

Balcony 125

20% of the seats are estimated to be vacant. The weightages to be given to the three classes are in the ratio of 1:2:3.

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If the management wishes to earn a profit of 25% on gross proceeds, find out the rates to be charged for each class. Round off to nearest rupee. [9]

- (b)** A chemical process yields 60% of the material introduced as main Product - A and by Product B 15% by - Product - C 20% and 5% being the wastage.

The ratio of absorption of Raw material and Labour in the process products is as follows:

- (i) One unit of product C requires half the raw material required for one unit of product - B, one unit of product - A requires 1 ½ time the raw material required for product - B.

- (ii) Product A requires double the time needed for the production of one unit of B and one unit of C

- (iii) Product C requires half the time required for the production of one unit of product B

- (iv) Overheads are to be absorbed in the ratio of 6:1:1.

- (v) Cost Data: Input 1,000 units of cost ₹4,600

Direct labour ₹4,100

Overheads ₹6,000

Calculate cost of distribution between the above products. [6]

- 5. (a)** Journalize the following transactions assuming that cost and financial accounts are integrated:

Particulars	Amount(₹)
Raw material purchased	40,000
Direct materials issued to production	30,000
Wages paid (30% indirect)	24,000
Wages charged to production	16,800
Manufacturing expenses incurred	19,000
Manufacturing overhead charged to production	18,000
Selling and distribution cost	4,000
Finished products (at cost)	40,000
Sales	58,000
Closing stock	Nil
Receipts from debtors	13,800
Payments to creditors	12,000

[9]

- (b)** How do you treat following items in cost accounting?

**(i)** Packing Cost

**(ii)** Tools Cost [6]

- 6. (a)** From the following forecast of income and expenditure prepare a Cash Budget for the three months ending on June, 2016:

Month	Sales	Purchase	Wages	Misc.
	(₹)	(₹)	(₹)	(₹)
2016, February	1,20,000	84,000	10,000	7,000
March	1,30,000	1,00,000	12,000	8,000
April	80,000	1,04,000	8,000	6,000
May	1,16,000	1,06,000	10,000	12,000
June	88,000	80,000	8,000	6,000

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Additional Information:

(i) Sales: 20% realized in the month of sales, discount allowed 2%, balance realized equally in two subsequent months.

(ii) Purchases: These are paid in the month following the month of supply.

(iii) Wages: 25% paid in arrears following month.

(iv) Misc. Expenses: Paid a month in arrears.

(v) Rent: ₹ 1,000 per month paid quarterly in advance due in April.

(vi) Income Tax: First installment of advance tax ₹ 25,000 due on or before 15<sup>th</sup> June to be paid within the month.

(vii) Income from Investment: ₹5,000 received quarterly in April, July etc.

(viii) Cash in Hand: ₹5,000 in April 1, 2016.

**[10]**

**(b)** Explain the features of Marginal Costing.

**[5]**

**7. (a)** Difference between Job Costing and Process Costing.

**[5]**

**(b)** As newly appointed Cost Accountant, you find that the selling price of Job No. 9669 has been calculated on the following basis:

Particulars	₹
Materials	12.08
Direct Wages – 22 hours at 25 paise per hour	5.50
Department A – 10 hours,	
B – 4 hours	
C – 8 hours	
	17.58
Plus 33% on Prime Cost	5.86
	23.44

An analysis of the previous year's profit and loss account shows the following:

Particulars	Amount (₹)	Particulars	Amount (₹)
Materials Used	77,500	Factory Overheads:	
Direct Wages:		A	2,500
A	5,000	B	4,000
B	6,000	C	1,000
C	4,000	Selling Costs	30,000

**You are required to:**

**(i)** Draw up a Job Cost Sheet;

**(ii)** Calculate and enter the revised costs using the previous year's figures as a basis;

**(iii)** Add to the total job cost 10% for profit and give the final selling price. **[10]**

**8. Write Short note on the following (any three)**

**[3x5=15]**

**a)** Supplementary Overhead Rate

**b)** Objective of CAS-4

**c)** Cost Management techniques used in Healthcare sector

**d)** Principle of measurement of Direct Expenses.

**e)** Just in time