

PTP_Intermediate_Syllabus 2008_Dec2014_Set 2

Paper – 8: Cost & Management Accounting

Time Allowed: 3 Hours

Full Marks: 100

Question No 1 is Compulsory. Answers any five Questions from the rest.
Working Notes should form part of the answer.

Question:1

(a) Match the statement in Column I with appropriate statement in Column II [1x5]

Column I	Column II
(i) Disc Method	(A) Coal Industry
(ii) Output Costing	(B) Control of Inventory
(iii) Capital Expenditure Budgeting	(C) Toy Industry
(iv) FSND Analysis	(D) Time Keeping
(v) Batch Costing	(E) Investment Planning

(b) State whether the following statements are TRUE or FALSE: [1x5]

- (i) FIFO method of pricing issues of materials is useful during inflationary period.
- (ii) If an expense can be identified with a specific cost unit, it is treated as direct expense.
- (iii) In process costing, a meaningful distinction is made between direct and indirect materials
- (iv) Value analysis promotes innovation and creativity
- (v) A bin card shows the quantity and value of a stores item.

(c) Fill in the blanks: [1x5]

- (i) The most appropriate cost unit for pricing and costing goods transports is.....
- (ii) Cost of abnormal idle time is charged to.....
- (iii) Aggregate of indirect material, indirect Labour and indirect expenses is known as.....
- (iv) Where the production is as per the requirements of the customers,.....is the method of costing used.
- (v)is the value of benefit sacrificed in favour of an alternative course of action.

(d) In the following cases, You are required to indicate the correct answer and give workings: [2x5=10]

- (i) The BEP is 15,000 units; Fixed Cost is ₹22,500, variable cost per units ₹45 the P/V ratio will be.....

- (A) $33\frac{1}{3}\%$
(B) 55%
(C) 15%
(D) None of the above
- (ii) Total cost of 2,000 units is ₹32,000 and for 3,200 units is ₹38,000. Fixed cost will be
(A) ₹32,000
(B) ₹22,000
(C) ₹20,000
(D) ₹6,000
- (iii) A chemical process has a normal yield of 90%. In a period 5,000 kgs of material were introduced and there was an abnormal loss of 150 kgs. The quantity of good production is
(A) 4,850 kgs
(B) 4,500 kgs
(C) 4,650 kgs
(D) 4,350 kgs
- (iv) Standard time is 60 hours and guaranteed time rate is ₹50 per hour. Under Rowan Plan, what is the amount of wages, if job is completed in 48 hours?
(A) ₹2,480
(B) ₹2,680
(C) ₹2,880
(D) None of the above
- (v) If the ordering cost per order is ₹40, carrying cost is 10% of average inventory value, purchase cost is ₹10 per unit and Economic Order Quantity (EOQ) for the product is 800 units; what is the expected annual demand for the product?
(A) 8,000 units
(B) 10,000 units
(C) 20,000 units
(D) None of the above

Question:2

- (a) While preparing the estimate of profitability for the coming year, the Sales Manager of a company indicated sale of the single product manufactures at a sale price of ₹60 per unit. At that price the expected profit will be ₹25,00,000. The variable cost of the product is ₹20 per unit and the total fixed expenses for the year was estimated at ₹15,00,000. The Sales Manager further indicated that if there is a reduction in price, the quantity of sale will rise in the following manner:

When selling price reduced by	Quantity of sale to increase by
10%	20%
5%	15%
2.5%	8%

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As a Cost Accountant, you have been asked to evaluate the effect of alternative sale prices as above and suggest the best alternative to be adopted in the coming year. [3+3+3+1]

- (b) Define the terms Capacity costs and Relevant cost. [2¹/₂+2¹/₂]

Question.3

- (a) The following information is given to you from the records of P Ltd. for the year 2014:

Budgeted Sales Value in 2014:

April	₹4,00,000
May	₹4,50,000
June	₹5,20,000
July	₹4,20,000
August	₹4,80,000
Contribution to sales ratio	40%
Fixed Cost	₹12,00,000 for the whole year 2014, includes depreciation ₹3,00,000 per annum.

Other Information:

40% of each month's sales is produced in the month prior to the sale and 60% in the month of sale. 50% of the direct materials required for production are purchased in the month prior to their use in production. The remaining 50% is purchased in the month of production. Labour costs are paid in the month in which they are incurred and constitute 30% of the variable costs. 60% of the variable costs are direct material costs. Suppliers of direct materials are paid in the month after purchase. The remaining variable costs are variable overhead costs, of which 40% are paid in the month they are incurred and the balance paid in the next month. Fixed costs are incurred at a constant rate per month and paid in the month they are incurred. The expected capital expenditure in June 2014 is ₹1,90,000. The sales receipts budgeted are as follows:

May 2014	₹4,01,700
June 2014	₹4,50,280
July 2014	₹4,25,880

The bank balance on 1.5.2014 is expected to be ₹40,000.

Prepare a month-wise cash budget for P Ltd. for the period May to July 2014. [10]

- (b) Explain the treatment of profits on incomplete work in contract accounts. [5]

Question.4

- (a) A company manufactures a product currently utilizing 80% capacity with a turnover of 32,000 units at a selling price of ₹25 per unit. The variable cost of the product is ₹17.5 per unit. Fixed cost amounts to ₹1,50,000 up to 80% of level of output and there will be an additional cost of a supervisor amounting to ₹20,000 beyond that level.

Calculate:

- (i) Activity level (%) at break-even point
(ii) Number of units to be sold to earn a net income of 10% of sales
(iii) Activity level (%) to earn a profit of ₹1,00,000 [3+4+3]

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- (b) Discuss the accounting treatment for spoilage and defectives in Cost Accounting. [5]

Question.5

- (a) In a manufacturing company, factory overhead was recovered at a pre-determined rate of ₹28 per labour hour. The total factory overhead incurred and the actual labour hours worked for October 2014 were ₹3,61,000 and 11,200 hours. Out of the ₹3,61,000, ₹22,400 became payable due to a one time award of a labour court. Out of the 75,000 units produced during the month, 60,000 were sold. 40% of the unrecovered overheads were due to defective planning and the rest was due to increase in overhead cost. Explain with figures how the under absorbed overhead would be treated in cost accounts. [6]
- (b) During a month, the following information is obtained from the Personnel Department of a manufacturing company:
- (i) Labour force at the beginning of the month was 1,900 and at the end of the month was 2,100.
- (ii) 25 people left while 40 were discharged. 280 workers were engaged out of which only 30 were appointed in the vacancy created by the number of workers separated and the rest on account of an expansion scheme.
- Calculate the labour turnover rate by the Replacement and Flux methods. [4]
- (c) Discuss the accounting treatment of idle time wages and overtime wages in cost accounts. [2 +3]

Question.6

- (a) From the following figures, do the reconciliation process to arrive at the net profit or loss as per financial accounts:

Particulars	Figures (₹)
Net loss as per Costing Records	1,72,400
Works overhead under recovered in Costing	3,120
Administrative overhead recovered in excess in Costing	1,700
Depreciation charged in Financial Records	11,200
Depreciation recovered in Costing	12,500
Interest received not included in Costing	8,000
Obsolescence charged (loss) in Financial Records	5,700
Income Tax provide in Financial Books	40,300
Bank Interest credited in Financial Books	750
Store Adjustment (Credit) in Financial Books	475
Value of Opening stock in Cost A/cs	52,600
Value of Opening stock in Financial A/cs	54,000
Value of Closing stock in Cost A/cs	52,000
Value of Closing stock in Financial A/cs	49,600
Interest charged in Cost A/cs but not in Financial A/cs	6,000
Preliminary expenses written off in Financial A/cs	800
Provision for Doubtful Debts in Financial A/cs	150

[10]

- (b) List out the features of Standard Cost. [5]

Question.7

- (a) A Primary School has a total of 150 students consisting of 5 sections with 30 students per section. The school plans for outing around the city during the weekend. A private transport operator has come forward to hire the buses for taking the students. Each bus will have a Maximum capacity of 50 (excluding 2 seats reserved for teachers accompanying the students). The school will employ two teachers for each bus, paying them allowances of ₹100 per teacher. The operator will hire out the required number of buses. The following are the other cost estimates:
- Breakfast ₹10 per student
 - Lunch ₹20 per student
 - Tea ₹6 per student
 - Entrance fee at zoo ₹4 per student
 - Rent per bus ₹1,300
 - Special permit fees ₹100 per bus
 - Block entrance fees at planetarium ₹500
 - Prizes to students for games ₹500
- No costs are incurred in respect of accompanying teachers (except allowance of ₹100 per teacher).
You are required to prepare a statement showing total cost and also average cost per student for the levels of 30, 60, 90, 120 and 150 students. [3+3+3+1=10]
- (b) Job Order Costing method is a Specific Order Costing method.-Explain. [5]

Question.8 Write short notes on (any three) of the following:

[5x3=15]

- (a) Inter-process Profits:
- (b) Business performance measurement systems
- (c) features of Process Costing
- (d) Cost Ledger (maintained in a Costing Department).
- (e) Cost Apportionment and Cost Absorption