Paper 10(Cost & Management Accountancy)

Test Paper—II/10/CMA/2012/T-1

Time Allowed-3hours **Full Marks-100**

Answer Question No.1 which is Compulsory and any two from the rest in this section.

(2 marks each)

Question 1

(i)(a) The following information relates to budgeted operations of Division X of a manufacturing company.

Particulars	Amount in ₹
Sales-50,000 units @₹8	4,00,000
Less: Variable Costs @₹6 per unit	3,00,000
Contribution margin	1,00,000
Less: Fixed Costs	75,000
Divisional Profits	25,000

The amount of divisional investment is ₹ 1,50,000 and the minimum desired rate of return on the investment is the cost of capital of 20%

Calculate

i) Divisional expected ROI and

ii) Divisional expected RI

Q.1.(b) B Ltd. has earned net profit of ₹1 lakh, and its overall P/V ratio and margin of safety are 25% and 50% respectively. What is the total fixed of the Company?

Q.1.(c)A company makes and sells a single product. The selling price and marginal revenue equation are:
Selling price=₹50- Re.0.001x
Marginal revenue=₹50- Re.0.002x
Where x is the product of the company makes. The Variable Costs amount to ₹20 per unit and the Fixed costs are ₹1,00,000.
In order to maximise the profit, what should be the selling price?

(2 marks each)

Q.1.(ii) Define the following terms not more than two sentences:
(a) out-of-pocket Cost
(b) Budget
(c) Angle of incidence

(1×2)

Q.1.(iii) State whether the statements True or False
(a) One of the goals JIT seeks to achieve is batch size of one.
(b) Imputed costs are similar to Opportunity costs. (9 marks)

Question 2

Q.2.(a) Prepare a Cash Budget for the three months ending 30th June, 2012 from the information given below:

(a)

MONTH	SALES (₹)	MATERIALS (₹)	WAGES (₹)	OVERHEADS (₹)
February	14,000	9,600	3,000	1,700
March	15,000	9,000	3,000	1,900
April	16,000	9,200	3,200	2,000
May	17,000	10,000	3,600	2,200
June	18,000	10,400	4,000	2,300

(b) Credit terms are:

Sales / Debtors: 10% sales are on cash, 50% of the credit sales are collected next month and the balance in the following month.

Creditors: Materials 2 months

Wages 1/4 month

Overheads 1/2 month.

(c) Cash and bank balance on 1st April, 2012 is expected to be ₹ 6,000.

(d) Other relevant information are:

1. Plant and machinery will be installed in February 2012 at a cost of ₹96,000. The monthly installment of ₹2,000 is payable from April onwards.
2. Dividend @ 5% on preference share capital of ₹2,00,000 will be paid on 1st June.
3. Advance to be received for sale of vehicles ₹9,000 in June.
4. Dividends from investments amounting to ₹1,000 are expected to be received in June. (9 marks)

Q.2.(b) Distinguish between
(a) Job Costing and Contract Costing
(b) Fixed budget and Flexible budget (9 marks)

Question 3

Q.3.(a) The standard mix of product M5 is as follows :

Material	Mix Ratio	Material Price per unit
A	50%	5.00
B	20%	4.00
C	30%	10.00

Standard loss is 10% of input. There is no scrap value. Actual production for month was 7240 units of M5 from 80 mixes.

Purchases and consumption is as follows:

Material	Unit	price
A	4,160	5.5
B	1,680	3.75
C	2,560	9.5

Calculate variances. (9 marks)

Q.3.(b) Kapur Engineering Company undertakes long term contract which involves the fabrication of pre stressed concrete block and the reaction of the same on consumer's life.

The following information is supplied regarding the contract which is incomplete on 31st March, 2012

Cost Incurred:

Fabrication cost to date:

	(₹)
Direct Material	2,80,000
Direct Labour	90,000
Overhead	75,000
	4,45,000
Erection Cost to date	15,000
Total	4,60,000
Contract price	8,19,000
Cash received on account	6,00,000

Technical estimate of work completed to date:

Fabrication: Direct materials 80%

Direct labour and overheads 75%

Erection 25%

You are required to prepare a statement for submission to the management indicating

(a) The estimated profit on the completion of the contract;
(b) The estimated profit to date on the contract. (6 marks)

Question 4

Q.4.(a) The following results of a company for the last two years are as follows:

Year	Sales(₹)	Profit(₹)
2011	1,50,000	20,000
2012	1,70,000	25,000

You are required to calculate:

1. P/V Ratio
2. B.E.P
3. The sales required to earn a profit of ₹ 40,000
4. Profit when sales are ₹ 2,50,000
5. Margin of safety at a profit of ₹ 50,000 and
6. Variable costs of the two periods (9 marks)

Q.4.(b) The share of total production and the cost-based fair price computed separately for each of the four units in industry are as follows:

	₹ per unit			
Share of Production	40%	25%	20%	15%
Material Costs	150	180	170	190
Direct Labour	100	120	140	160
Depreciation	300	200	160	100
Other Overheads	300	300	280	240

	850	800	750	690
20% return on capital employed	630	430	350	230
Fair Price	1,480	1,230	1,100	920
Capital employed per unit is worked out as follows:				
Net Fixed Assets	3,000	2,000	1,600	1,000
Working Capital	140	150	150	150
Total	3,140	2,150	1,750	1,150

Indicate with reasons, what should be the Uniform Price fixed for the product.

(3 marks)

Q.4.(c) Write short note on Opportunity Costing?

Section B –Cost Records and Cost Audit (20 Marks)

Attempt Question No-5 which is compulsory and any ONE from the restQ

Question 5

In each of the cases / statements given below, one out of four alternatives is correct. Indicate the correct answer (only indicate A or B or C or D as you think correct): [1×5 = 5]

(i) Profit reconciliation for the company as a whole is dealt in:

a) Para 17 of the annexure to cost audit report under Companies (Cost Audit Report Rules), 2011.

b) Para 7 of the annexure to cost audit report under Companies (Cost Audit Report Rules), 2011.

c) Para 27 of the annexure to cost audit report under Companies (Cost Audit Report Rules), 2011.

d) Para 8 of the annexure to cost audit report under Companies (Cost Audit Report Rules), 2011.

(ii) Maximum amount of penalty payable by a Cost Auditor for non compliance with provisions of Cost Audit Report Rules, 2011 is:

a) ₹ 50000/-

b) ₹ 5000/-

c) ₹ 1000/- per day.

d) ₹ 500/- per day.

(iii) Cost Auditor should inform to the Central Government in Form 23D of his appointment within:

a) 90 days from receiving formal letter from the company.

b) 30 days from receiving formal letter from the company.

c) 90 days from the date of commencing of the current financial year.

d) 45 days from the date of commencing of the current financial year.

(iv) PARA – 8 of the Annexure to the Cost Audit Report Rules, 2011 deals with

a) Product group details

b) Abridged cost statement for each product group separately

c) Value addition and distribution of earnings for the company as a whole.

d) Operating ratio analysis for each product group separately

(v) As per Rule 7 of the Companies (Cost Accounting Records) Rules, 2011, the Annexure to the Compliance Report is to be duly approved by the

a) Secretary

b) Cost Accountant

c) Board of Directors

d) None of the above

Question 6

(a) The Companies (Cost Accounting Records) Rules 2011 have not prescribed any specific formats for the cost statements. In what manner and format would the cost statements be kept under these Rules?

(b) What procedure is required to be followed by a company in respect of appointment of cost auditor?

(c) How total number of companies for which a cost auditor can accept appointment is to be computed keeping in mind restrictions imposed under Section 224(1B) of the Companies Act 1956.

[5+5+5 = 15]

Question 7. Answer the following questions with respect to Companies (Cost Accounting Records) Rules, 2011.

(a) What is the effective date from which Companies (Cost Accounting Records) Rules 2011 come into force?

(b) What is the status of the 44 Cost Accounting Records Rules issued till the date of issue of Companies (Cost Accounting Records) Rules 2011 and what is its applicability?

(c) What does turnover mean under these Rules? Is gross turnover Inclusive of excise duty?

(d) Whether product manufactured for 100% captive / self-consumption shall be covered under the Companies (Cost Accounting Records) Rules 2011? **[2+7+3+3 = 15]**

Section C –Economics for Managerial Decision Making

(30 Marks)

Attempt Question No-8 which is compulsory and any TWO from the rest

Question 8. State whether the following statements are true or false: [1x10=10 marks]

(i) Tea and sugar are complimentary goods.
(ii) The economies of localization is a class of internal economies of scale.
(iii) Under perfect competition AR=MR
(iv) The demand of a factor of production is derived demand.
(v) The income elasticity of demand of inferior goods is greater than 1
(vi) MC is always equal to AC
(vii) Demand of salt is elastic.
(viii) Marginal cost curve is negatively sloped.
(ix) Average fixed cost curves never touch X axis.
(x) Cross elasticity of unrelated product will be positive

Question 9.(a) What do you mean by Elasticity of cost? [3 marks

(b) Prove that Cost elasticity is equal to the ratio of Marginal cost to average cost. [3 marks]

(c)Write a short note on Price determination under oligopoly. [4 marks]

Question10.

(a)What do you mean by elasticity of substitution? [3 marks]

(b)Prove that for a Production function $Q=AL^{\alpha}K^{\beta}$

Elasticity of substitution is equal to one. [7 marks]

Question 11.

Calculate the trend values by the method of least squares from the data given below and estimate the sales for the year 2017

Year	2008	2009	2010	2011	2012
Sales	12	18	20	23	27

[10 marks]

Paper 10(Cost & Management Accountancy)

Test Paper—II/10/CMA/2012/T-2

Time Allowed-3hours **Full Marks-100**

Section A

Answer Question No.1 which is Compulsory and any two from the rest in this section.

(1×4)

Q.1. (a) State whether the following statements are 'True' or 'False':

(i) ABC analysis is based on the unit price of materials.
(ii) No distinction is made between direct and indirect materials in process costing.
(iii) Opportunity Cost is the value of benefit sacrified in favour of an alternative course of action.
(iv) Job costing is ideal where the products are dissimilar and non-repetitive in nature.

(1×4)

Q.1. (b) Match the statement in Column I with the appropriate statement in column II:

(i)	Variance Analysis	(a) Does not involve any cash out flow
(ii)	Differential Costing	(b) Decision Package
(iii)	ZBB	(c) Management by Exception
(iv)	Notional cost	(d) Decision making

(2×3)

Q.1. (c) In each of the cases given below one out of four is correct. Indicate the correct answer(=1 mark) and give your workings/reasons briefly(=1 mark):

(i) If the asset turnover and profit margin of a company are 1.85 and 0.35 respectively, the return on investment is

a) 0.65
b) 0.35
c) 1.50
d) 5.29

(ii) A company is currently operating at 80% capacity level. The production under normal capacity level is 1,50,000 units. The variable cost per unit is ₹14 and the total fixed costs are ₹ 8,00,000. If the company wants to earn a profit of ₹4,00,000, then the price of the product per unit should be…

a) ₹37.50
b) ₹38.25
c) ₹24.00
d) ₹16.00

(iii) In two consecutive periods, sales and profit were ₹ 1,60,000 and ₹ 8,000 respectively in the first period and ₹ 1,80,000 and ₹ 14,000 respectively during the second period. If there is no change in fixed cost between the two periods, then what would be profit if sales are ₹ 2,00,000?

(A) ₹ 16,000
(B) ₹ 18,000
(C) ₹ 20,000
(D) ₹ 22,000

(10 marks)

Q.2.(a) A factory has a key resource (bottleneck) of Facility A which is available for 31,300 minutes per week. Budgeted factory costs and data on two products, X and Y, are shown below:

Product	Selling Price /unit	Material Cost/unit	Time in Facility A
X	₹35	₹20.00	5 minute
Y	₹35	₹17.50	10 minutes

Budgeted factory costs per week:

	₹
Direct Labour	25,000
Indirect Labour	12,500
Power	1,750
Depreciation	22,500
Space Costs	8,000
Engineering	3,500
Administration	5,000

Actual production during the last week is 4,750 units of product X and 650 units of product Y. Actual factory cost was ₹78,250.

Calculate:

(i) Total factory costs (TFC)
(ii) Cost per Factory Minute
(iii) Return per Factory Minute for both products
(iv) TA ratios for both products.
(v) Throughput cost per the week.
(vi) Efficiency ratio

Q.2.(b) Write four limitations of inter-firm comparison and Standard costing? (8 marks)

(12 marks)

Q.3.(a) Draw up a flexible budget for overhead expenses on the basis of the following data and determine the overhead rate at 70%, 80% and 90% plant capacity level :

Plant Capacity	At 80% capacity
	₹
Variable overheads:	
Indirect Labour	12,000
Indirect material	4,000
Semi-Variable overhead:	
Power (30% fixed, 70% variable)	20,000
Repair and maintenance (60% fixed, 40% variable)	2,000
Fixed overhead:	
Depreciation	11,000
Insurance	3,000
Others	10,000
Total Overhead	62,000
Estimated direct labour hours	1,24,000

Q.3.(b) Write notes on Chargeable Expenses. (6 marks)

(9 marks)

Q.4.(a) Leo Limited undertakes to supply 1,200 units of a component per month for the months of October, November and December 2012. Every month a batch order is opened against which materials and labour cost are booked at actual. Overheads are levied at a rate per labour hour. The selling price is contracted at ₹18/- per unit.

From the following data, present the cost and profit per unit of each batch order.

Month	Batch Output (Numbers)	Material Cost ₹	Labour Cost ₹
October 2012	1,500	7,500	3,000
November 2012	1,800	10,800	3,600
December 2012	1,200	6,000	2,400

Labour is paid at the rate of ₹2 per hour. The other details are:

Months	Overheads	Total Labour
October 2012	14,400	4,800
November 2012	10,800	3,600
December 2012	18,000	6,000

(9 marks)

Q.4.(b) Present the following information to show to management:

(i) The marginal product cost and the contribution p.u.

(ii) The total contribution and profit resulting from each of the following sales mix results.

Particulars	**Product**	**Per unit ₹**
Direct Materials	A	10
Direct Materials	B	9
Direct wages	A	3
Direct Wages	B	2

Fixed Expenses – ₹ 800

(Variable expenses are allotted to products at 100% Direct Wages)

Sales Price ---- A ₹ 20

Sales Price ---- B ₹ 15

Sales Mixtures: a) 100 units of Product A and 200 of B.

b) 150 units of Product A and 150 of B.

c) 200 units of Product A and 100 of B.

Section B –Cost Records and Cost Audit (20 Marks)

Attempt Question No-5 which is compulsory and any ONE from the rest

Q5. Fill in the Blanks **[1×5 = 5]**

(i) Cost Audit was initially introduced in the year ________________ (1958 / 1965)

(ii) The ceiling on number of Cost Audits to be under taken by a Cost Auditor is laid down in Section of Companies Act. (224(1B)/ 233B)

(iii) Para 5 of the Annexure to the Cost Audit Report deals with _________ (Abridged Cost Statement / Operating Profit Analysis)

(iv) Detailed provisions relating to Cost Audit are contained in Section___________________________ of the Companies Act. (227 / 233B)

(**v**)Para 3 of the Annexure to the Cost Audit Report deals with _________ (Overheads/Product Group)

Q. 6. (a) Define Cost Audit, How it is useful: **[8+7 = 15]**

(I) To the Management
(II) To the Society
(III) To the Shareholders, and
(IV) To the Government?

(b) Explain the Social objectives of Cost Audit.

Q. 7. (a) Is it mandatory to submit Performance Appraisal Report to the Company Management or can it be a NIL report? Can Form III relating to Performance Appraisal be modified or it has to be strictly followed as prescribed?

(b) A company with multiple products range is having Cost Audit for some of its products. What would be the applicability of Cost Audit on other products now covered under the Companies (Cost Accounting Records) Rules, 2011?

(c) Explain the duties of the Cost Auditor.

[5+4+6 =15]

Section C –Economics for Managerial Decision Making (30 Marks)

Attempt Question No-8 which is compulsory and any TWO from the rest

Q8. Define: [2x5 =10marks]

(i) Diminishing return.
(ii) Imcremental cost.
(iii) Elasticity of supply.
(iv) Break even point
(v) Consumer surplus.

Q9 (a) What do you mean by Return to Scale? [2 marks]

(b) Distinguish between return to a factor and return to scale. [3 marks]

(c) The Cost function of a firm is given by

$C=Q^3-4Q^2+6Q$.

Find the level of output at which average cost is minimum. [5 marks]

Q10. a)Define economies of scale. [3 marks]

(b)Distinguish between Accounting Profit and Economic Profit. [3 marks]

(c)What do you mean by the term variable cost of production? How is marginal Cost related to variable cost?
[4 marks]

Q11

(a)Bring out the meaning of the statement that a firm attains equilibrium when its marginal revenue is equal to Marginal cost..Examine whether this statement applies to a firm in a perfectly competitive market.
[5 marks]

(b)Explain the relationship between Marginal Cost and Average Cost [5 marks]

Paper 10(Cost & Management Accountancy)

Test Paper—II/10/CMA/2012/T-3

Time Allowed-3hours **Full Marks-100**

Answer Question No.1 which is Compulsory and any two from the rest in this section:

Q.1. (a) Fill up the blanks suitably: (1×5)

(i) At break even point total revenue is equal to ……………… Cost.
(ii) When the production volume is nil, the loss will be equal to ……………….
(iii) Two industries where batch costing is used are …………………… and …………….
(iv) Sales proceeds from abnormal losses are credited to ………………. A/c.
(v) The balance is cost of sales account if transferred to ……………………

(2×3)

Q.1. (b) In each of the cases given below, one out of four answer is correct. Indicate the correct answer and give working reasons:

(i) The cost of obsolete inventory acquired several years ago, to be considered in a keep vs. disposal decision is an example of :
a) Uncontrollable cost
b) Sunk cost
c) Avoidable cost
d) Opportunity cost

(ii) Budgeted sales for the next year is 5,00,000 units. Desired ending finished goods inventory is 1,50,000 units and equivalent units in ending W-I-P inventory is 60,000 units. The opening finished goods inventory for the next year is 80,000 units, with 50,000 equivalent units in beginning W-I-P inventory How many equivalent units should be produced
a) 5,80,000
b) 5,50,000
c) 5,00,000
d) 5,75,000

(iii) In a manufacturing company, the production passes through four processes – A, B, C & D sequentially and the output of each process is the input of the subsequent process. The following is the loss of the four processes :

A	-	12%
B	-	14%
C	-	16%
D	-	15%

The output in process D is 7,754.44 kg., the input of process A is
a) 12,500 kgs.
b) 11,400 kgs.
c) 10,475 kgs.
d) 12,800 kgs.

Q.1. (c) Match the statement in Column I with the appropriate statement in Column II : (1×3)

Column I	Column II
Flexible budget	ABC costing
Uniform Costing	Technique to assist interfirm comparison
Cost driver	Considers cost by behavior

(9 marks)

Q.2. (a) You are required to prepare a Selling overhead Budget from the estimates given below:

	₹
Advertisement	1,000
Salaries of the Sales Dept.	1,000
Expenses of the Sales Dept. (Fixed)	750
Salesmen's remuneration	3,000

Salesmen's and Dearness Allowance – Commission @ 1% on sales affected
Carriage Outwards: Estimated @ 5% on sales
Agents Commission: 7½% on sales

The sales during the period were estimated as follows:
(a) ₹ 80,000 including Agent's Sales ₹ 8,000
(b) (b) ₹ 90,000 including Agent's Sales ₹ 10,000
(c) ₹ 1,00,000 including Agent's Sales ₹ 10,500

(9 marks)

Q.2. (b) A manufacturing co. operates a costing system and showed the following data in respect of the month of November.

Actual No. of Working days	22
Actual man hours Worked during the month	4,300
No. of Products Produced	425
Actual Overhead incurred	₹1,800

Relevant information from the company's budget and standard cost data is as follows:

Budgeted No. of Working days per month	20
Budgeted man hours per month	4,000
Standard man hours per product	10
Standard overhead rate per month per hour	50 p.

You are required to calculate the overhead variances for the month of November

(10 marks)

Q.3. (a) Manar lodging home is being run in a small hill station with 50 single rooms. The home offers concessional rates during six off- season months in a year. During this period, half of the full room rent is charged. The management's profit margin is targeted at 20% of the room rent. The following are the cost estimates and other details for the year ending on 31st March 2012. [Assume a month to be of 30 days].

(i) Occupancy during the season is 80% while in the off- season it is 40% only. (ii) Expenses:
> Staff salary [Excluding room attendants] ₹2, 75, 000
> Repairs to building ₹1, 30, 500
> Laundry and linen ₹40, 000
> Interior and tapestry ₹87, 500
> Sundry expenses ₹95, 400

(ii) Annual depreciation is to be provided for buildings @ 5% and on furniture and equipments @ 15% on straight-line basis.
(iii) Room attendants are paid ₹5 per room day on the basis of occupancy of the rooms in a month.
(iv) Monthly lighting charges are ₹120 per room, except in four months in winter when it is ₹30 per room and this cost is on the basis of full occupancy for a month.
(v) Total investment in the home is ₹100 lakhs of which ₹80 lakhs relate to buildings and balance for furniture and equipments.

You are required to work out the room rent chargeable per day both during the season and the offseason months on the basis of the foregoing information.

(4+4)

Q.3. (b) What do you understand by Batch Costing? In which industries it is applied?

Q.3. (c) What are the objectives of Standard Costing Technique?

(7 marks)

Q.4. (a) A company fixes the inter-divisional transfer prices for its products on the basis of cost plus and estimated return on investment in its division. The relevant portion of the budget for the division A for the year 2012-13 is given below:

Fixed assets	₹5,00,000
Current assets (other than debtors)	3,00,000
Debtors	2,00,000
Annual fixed cost of the division	8,00,000
Variable cost per unit of product	10
Budgeted volume of production per year (units)	4,00,000
Desired return on investment	28%

You are required to determine the transfer price for the Division A.

(9 marks)

Q.4.(b) The following is the Trading and Profit and Loss account of M/s. Time and Trading limited for the year ended 31.12.2011.

Dr. **Trading and profit & Loss Account** **Cr.**

Particulars	₹	Particulars	₹
To, Materials consumed	7,08,000	By, Sales A/c (30,000 units)	15,00,000
To, Direct Wages A/c	3,71,000	By, Finished stock A/c (1,000 units)	40,000
To, Works overheads A/c	2,13,000		
To, Admn. overheads A/c	95,500	By, Work-in-progress:	
To, Selling and Distribution overheads A/c	1,13,500	Materials	17,000
		Wages	8,000
To, Net profit	69,000	Works OH	5,000
	15,70,000		15,70,000

Manufacturing a standard unit, the company's cost records show that:

(i) Works overheads have been charged to work-in-progress at 20% on prime cost.

(ii) Administration overheads have been recovered at ₹3 per finished unit.

(iii) Selling and distribution overheads have been recovered at ₹4 per unit sold.

(iv) The unabsorbed or over absorbed overheads have not been adjusted into costing profit and loss account.

Prepare:

a) A Costing Profit and Loss Account indicating Net Profit.

b) A Statement Reconciling the Profit as disclosed by Cost Accounts and that shown in Financial Accounts.

(2 marks)

Q.4. (c) Define Cost Accountancy?

Section B –Cost Records and Cost Audit (20 Marks)

Attempt Question No-5which is compulsory and any ONE from the rest

Q5. In each of the cases / statements given below, one out of four alternatives is correct. Indicate the correct answer (only indicate A or B or C or D as you think correct): [1×5 = 5]

(i) PARA – 2 of the Annexure to the Cost Audit Report Rules, 2011 deals with

A. Product group details

B. Cost Accounting Policy

C.Abridged cost statement for each product group separately

D. Operating ratio analysis for each product group separately

(ii) The Company is required to e-file its application with the Central Government portal, in the prescribed Form

A. Form 23

B. Form 22

C. Form 23C

D. Form 23D

(iii) Section 233B was inserted by _____ of the Companies (Amendment) Act, 1965.

A. Section 12

B. Section 18

C. Section 25

D. Section 23

(iv) Related Party Transactions for the company as a whole is dealt in:

A. Para 1 of the annexure to cost audit report under Companies (Cost Audit Report Rules), 2011.

B. Para 10 of the annexure to cost audit report under Companies (Cost Audit Report Rules), 2011.

C. Para 6 of the annexure to cost audit report under Companies (Cost Audit Report Rules), 2011.

D. Para 15 of the annexure to cost audit report under Companies (Cost Audit Report Rules), 2011.

(v) The duties of the cost auditor to sending the report to the Cost Audit Branch within:

A. 30 days from the end of the financial year.

B. 90 days from the end of the financial year.

C. 120 days from the end of the financial year.

D. 180 days from the end of the financial year.

Q. 6. (a) Define Cost Audit and state its purposes. **[4+7+4 =15]**
(b) What are the important aspects of cost audit? How is it useful to the shareholders of a company?
(c) Distinguish between cost audit & statutory audit?

Q. 7. Write Short Notes on: **[5×3 =15]**
a) Audit Committee and Cost Audit Report
b) Performance Appraisal Report
c) Compliance Report

Section C –Economics for Managerial Decision Making (30 Marks)

Attempt Question No-8which is compulsory and any TWO from the rest

Q8 (a)Match the following: **[1x5=5marks]**

A	B
Perfect competition	Excess capacity
Monopoly	Single buyer
Monopsony	P=AR=MR
Monopolistic Competition	Inter dependence
Oligopoly	Single seller

(b) Fill in the blanks: **[1x5=5marks]**

(i) **If the average revenue is a straight line then the marginal revenue will be ___________.**
(ii) **AR curve is kinked shape under _________.**
(iii) **Tea and coffee are _______________ goods.**
(iv) **Ceteris Paribus means _______.**
(v) **Cross elasticity of complementary goods will be ____________.**

9(a) What do you mean by shut down point? [3 marks]
(b) A ltd sells output in a perfectly competitive market. The average variable cost function is given by
$AVC=300-40Q+2Q^2$
A LTD has an obligation to pay Rs500/-irrespective of the output produced.
What is the price below which A Ltd has to shut down its operation in short run? [7 marks]

Q10 (a) How would you define the cross elasticity of demand? What is the economic significance of this concept. [4 marks]
(b) Define
Dual Pricing
Multiple Product Pricing [6 marks]

Q11 (a) What is price discrimination? [3 marks]

(b) The market with the higher price elasticity will have the lower price. Explain. [7 marks]

Paper 10(Cost & Management Accountancy)

Test Paper—II/10/CMA/2012/T-4

Time Allowed-3hours **Full Marks-100**

Answer Question No.1 which is Compulsory and any two from the rest in this section:

Q.1.(a) (2×3)

(i) When P/V ratio is 40% and sales value is ₹10,000, the variable cost will be

(a) ₹ 4000
(b) ₹ 6000
(c) ₹10000
(d) Variable Cost cannot be calculated from data given.

(ii) Standard costs are
(a) Estimated cost
(b) Budgeted cost
(c) Expected cost
(d) Scientifically pre-determined cost.

(iii) Consider the following particulars for a month :
Budgeted fixed production overhead cost - ₹1,10,000
Budgeted production - 5,500 units
The fixed overhead cost was under absorbed by ₹12,000 and the fixed production overhead expenditure variance was ₹2,500 (Adverse).
The number of units produced during the month was……………..
(a) 5,025
(b) 5,625
(c) 4,775
(d) 4,885

Q.1.(b) State whether the following statements are 'True' or 'False' : (1×3)
(i) Margin costing is useful for long term planning.
(ii) Idle time variance is always adverse.
(iii) Fixed cost vary with volume rather than time.

Q.1.(c) Fill in the blanks : (1×5)

(i) The total of indirect expenses is known as …………………..
(ii) Ordering cost and carrying cost are ……………… in nature.
(iii) The purpose of cost control accounts is to control the …………………..
(iv) The scarce factor of production is known as ………………
(v) LIFO method of pricing issues is useful during periods of ……………

(12 marks)

Q.2. (a) From the following particulars for a period reconcile the actual profit with the budgeted profit.

	Budgeted	Actual
	(₹ lacs)	(₹ lacs)
Direct Material	50.00	66.00
Direct Wages	30.00	33.00
Variable overheads	6.00	7.00
Fixed overheads	10.00	12.00
Net Profit	4.00	8.50
	100.00	126.50

Actual material price and wage rates were higher by 10%. Actual sales prices are also higher by 10%. (6 marks)

Q.2. (b) 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 1,000	6,500
Direct expenses	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'

(5 marks)

Q.3. (a) Enumerate the points on which uniformity is essential before introducing uniform costing system? (3 marks)

Q.3. (b) A customer has been ordering 60,000 special design metal columns at the columns at the rate of 18,000 per order during the past years. The production cost comprises ₹120 for material, ₹60 for labour and ₹20 for fixed overheads. It costs ₹1,500 to set up for one run of 18,000 column and inventory carrying cost is 15% since this customer may buy at least 5,000 columns this year, the company would like to avoid making five different production runs. Find the most economic production run. (10 marks)

Q.3. (c) Beauty soap, company manufactures four different brands of soaps namely Komal, Lovely, Makeup and Nice. The data on production and sale of these brands during 2012 is reproduced below

Brand Name	Komal	Lovely	Makeup	Nice
Production & sales (units)	3,00,000	5,00,000	70,000	40,000
Sales value ₹ lakhs	15	31	2.8	1.2

All the above soaps are manufactured jointly up to a particular process. At split off point they are formed into cake-sand packed. The annual cost data were as under.

Direct Material Cost	₹30 lakhs
Value added (includes profit at 25% on total cost)	₹20 lakhs

Out of the above brands, Make up is sold in unpacked condition without further processing while other 3 brands further processed at an additional cost:

Komal	₹1,20,000
Lovely	₹1,30,000
Nice	₹50,000

You are required to:-

a) Work out the profit and cost of each brand of soap after allocating joint cost on the basis of Net Realisable value at split up point. (per unit cost not required).

b) Find out revised cost and profit on each brand if the company decides to sell all soaps at split up point at following prices; Komal ₹4.50; Lovely ₹6.00; Make up ₹4.00 and Nice ₹1.50 per unit.

Assume that for allocation of joint cost net Realisable value method is used.

c) With the working results in (a) and (b) above advise Beauty Soap Company about the processing decision as to which soap to ;be sold at split of point and which to be processed Further so as to maximise profit. Substantiate your decision with suitable costing to technique. (8 marks)

Q.4.(a) X Chemical Ltd. manufacture two products AB and CD by making the raw material in the proportion shown:

Raw Material	Product AB	Product CD
A	80%	
B	20%	
C		50%
D		50%

The finished weight of products AB and CD are equal in the weight of in gradients. During the month of June it is expected that 60 tons of AB and 200 tons of CD will be sold.
Actual and budgeted inventories for the month of June as follows:

	Actual Inventory (1st June) Quantity (Tons)	Budgeted Inventory (30th June) Quantity (Tons)
A	15	20
B	10	40
C	200	300
D	250	200
Product AB	10	5
Product CD	50	60

The purchase price of materials for June is expected to be as follows:

Material	Cost per ton (₹)
A	500
B	400
C	100
D	200

All materials will be purchased on 3rd of June, Prepare:

(a) The Production Budget for the month of June,
(b) The Material Requirement budget for June,
(c) The Material Purchase Budget indicating the expenditure for material for the month of June.

(7 marks)

Q.4. (b) A market gardener is planning his production for next season and he asked you, as a cost consultant, to recommend the optimum mix of vegetable production for the coming year. He has given you the following data relating to the current year:

	POTATOES	TOMATOES	PEAS	CARROTS
Area occupied in acres	25	20	30	25
Yield per acre in tons	10	8	9	12

Selling Price per ton ₹	1,000	1,250	1,500	1,350
Variable Cost per acre:				
Fertilizer	300	250	450	400
Seeds	150	200	300	250
Pesticides	250	150	200	250
Direct Wages	4,000	4,500	5,000	5,700

Fixed Overhead per annum: ₹5,40,000

The land which is being used for the production of carrots and peas can be used for either crop but not for potatoes and tomatoes. The land being used for potatoes and tomatoes can be used for either crops but not carrots and peas. In order to provide an adequate market service, the gardener must produce each year at least 40 tons of each of potatoes and tomatoes and 36 tons of each peas and carrots .You are required to present a statement to show :

a) (1) The profit for the current year:
   (2) The profit for the production mix you would recommend;

b) Assuming that the land could be cultivated in such a way that any of the above crops could be produced and there was no market commitment. You are required to:

(1) Advice the market gardener on which crop he should concentrate his production.
(2) Calculate the profit if he were to do so, and
(3) Calculate in rupees the breakeven - point of sales.

(3 marks)

Q.4. (c) Enumerate the benefits of transfer pricing policy?

Section B –Cost Records and Cost Audit (20 Marks)

Attempt Question No-5which is compulsory and any ONE from the rest

Q5. State whether the following statements based on the quoted terms are "TRUE" or "FALSE" with justifications for your answer. **[1×5 = 5]**

(i) It is imperative that a Resolution has to be passed by the Board of Directors for the appointment of the Cost Auditor.

(ii) The Cost Accounting Record Rules are applicable to all Companies including to other form of business.

(iii) The Compliance Report is to be issued by the certifying Cost Accountant in Form C of the Companies (Cost Accounting Records) Rules, 2011.

(iv) Financial Position and Ratio Analysis are being dealt with under PARA- 6 of the Companies (Cost Audit Report) Rules, 2011.

(v) Provision of Rule 4 or Rule 5 (of the Cost Audit Report Rules, 2011) Cost Auditor shall be punishable with fine, which may extend to five lakhs rupees.

Q. 6. What you understand by the following terms? **[6+9 = 15]**

A) Full time employment in respect to disqualifications of Cost Auditor.

B) Cost Audit of Captive Power Generating Plants.

Q.7. Answer the following questions with respect to Companies (Cost Accounting Records) Rules, 2011.

i) Are there any sectors exempted under Companies (Cost Accounting Record) Rules, 2011?

ii) What constitutes the cost records under Rule 2(e)? Whether the format of "Abridged Cost statement" prescribed in the Companies (Cost Audit Report) Rules, 2011 can be considered as a sample cost statement?

iii) For how many years, does a company under these rules require to preserve the Cost details?

iv) What is the effective financial year from which Cost Audit Order No. 52/26/CAB-2010 dated 24th January 2012 will be applicable? **[2+5+3+5 = 15]**

Section C –Economics for Managerial Decision Making (30 Marks)

Attempt Question No-8 which is compulsory and any TWO from the rest

Q8. Define: [2x5=10marks]

(i) The demand forecasting
(ii) Constant return to scale.
(iii) Collusion
(iv) Price leadership
(v) Sunk cost

Q9. (a) What do you mean by Arc Price Elasticity of demand? [3 marks]

(b) Prove that

$$\text{Elasticity of Demand} = \frac{AR}{AR-MR}$$ [5 marks]

(c)What do you mean by derived demand. [2 marks]

Q10(a) Demand function is given by-$X=3P^{-2}$ where P and X are the price and quantity demand respectively. Prove that the price elasticity of demand is constant. [5 marks]

(b)Define income elasticity of demand. Discuss the importance of income elasticity in managerial decision making. [5 marks]

Q11(a)Explain Skimming Pricing and Penetration Pricing. [5 marks]
(b) Explain the role of cost in pricing decision. [5 marks]