

INTERMEDIATE EXAMINATION

June 2013

I-P8(CMA)
Syllabus 2008

Cost and Management Accounting

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Question No. 1 is compulsory. Answer any five from the rest.

1. (a) Match the statement in Column I with the appropriate statement in Column II: 1×5=5
- | Column I | Column II |
|--------------------------------|--------------------------|
| (i) Apportionment of Overheads | (A) Job Evaluation |
| (ii) Equivalent Production | (B) Reciprocal Method |
| (iii) Point Ranking Method | (C) Cost Ledger Accounts |
| (iv) Output Costing | (D) Process Costing |
| (v) Non Integrated Accounts | (E) Coal Industry |
- (b) State whether the following statements are 'True' or 'False': 1×5=5
- (i) Fixed cost per unit remains constant irrespective of the number of units of output.
 - (ii) An efficient worker always gets more bonus under Rowan Plan than under 50% Halsey Plan.
 - (iii) A bin card shows the quantity and value of a stores item.
 - (iv) Cost Ledger Control Account is maintained in the costing books while General Ledger Adjustment Account is maintained in the financial books.
 - (v) In LIFO method of valuing inventory, the company has to suffer loss due to accumulation of old stocks and consequent spoilage and obsolescence.
- (c) Fill in the blanks suitably: 1×5=5
- (i) _____ centre is defined as a business entity's segment by which both revenues are earned and costs are incurred.
 - (ii) _____ Level of stores inventory is maximum usage multiplied by maximum lead time.
 - (iii) The most appropriate cost unit for pricing and costing goods transport is _____.
 - (iv) Where the production is as per the requirements of the customers, _____ is the method of costing used.
 - (v) Where there are two raw materials A and B, and the total material mix variance is favourable and if A has a favourable mix variance, then B will have a mix variance that is _____.
- (d) In the following cases, one of the four given answers is correct. You are required to indicate the correct answer (= 1 mark) and give brief workings (= 1 mark): 2×5=10
- (i) T Ltd. uses pre-determined overhead rate of ₹ 15 per labour hour. The actual labour hours are 5750 and the actual overhead cost is ₹ 85,000. There is
 - (a) ₹ 1,250 over absorption
 - (b) ₹ 1,250 under absorption
 - (c) ₹ 1,000 over absorption
 - (d) ₹ 1,000 under absorption
 - (ii) A chemical process has a normal yield of 90%. In a period, 5000 kgs of material were introduced and there was an abnormal loss of 150 kgs. The quantity of good production is
 - (a) 4850 kgs
 - (b) 4650 kgs
 - (c) 4500 kgs
 - (d) 4350 kgs
 - (iii) If break-even sales is 60% of current sales and profit is ₹ 60,000, then the amount of contribution will be
 - (a) ₹ 1,00,000
 - (b) ₹ 36,000
 - (c) ₹ 1,50,000
 - (d) ₹ 1,86,000
 - (iv) The following information is given for the next year:
 - Budgeted Sales = 5,00,000 units
 - Finished Goods: Closing Stock = 1,50,000 units; Opening Stock = 80,000 units.
 - Equivalent units of WIP: Closing Stock = 60,000 units; Opening Stock = 50,000 units.

Please Turn Over

The number of equivalent units produced would be

- (a) 5,80,000 units (c) 5,00,000 units
(b) 5,50,000 units (d) 5,75,000 units

(v) A production process has the capacity to produce either 4,000 units of A or 3,500 units of B or 5,000 units of C. Only one product can be made in a production period. The contributions per unit of A, B and C are ₹ 10, 11 and 8 respectively. The opportunity cost of A would be

- (a) ₹ 44,000 (c) ₹ 50,000
(b) ₹ 38,500 (d) ₹ 40,000

2. (a) The following are figures relating to a factory for two successive years:

	Year I ₹	Year II ₹
Sales	10,00,000	16,80,000
Marginal Cost of Sales	6,00,000	8,00,000
Contribution	4,00,000	8,80,000

During Year II, the selling price increased by 20% and the company implemented a cost reduction programme very aggressively. You are required to analyse the increase in contribution due to

- (i) Increase in selling price
(ii) Increase in sales volume
(iii) Reduction in cost

3+4+3=10

(b) How would you deal with the following in Cost Accounts?

- (i) Fringe Benefits;
(ii) Bad Debts.

3+2=5

3. (a) The following information is available in respect of fixed overheads for a production period:

Overheads Cost Variance	₹ 1,400 (Adverse)
Overheads Volume Variance	₹ 1,000 (Adverse)
Budgeted Hours	1200 hours
Budgeted Overheads	₹ 6,000
Actual rate of recovery of Overhead	₹ 8 per hour

You are required to compute the following for the given production period:

- (i) Actual Overheads Incurred
(ii) Overhead Expenditure Variance
(iii) Overheads Capacity Variance
(iv) Actual Hours for Actual Production

2+2+3+3=10

(b) What do you mean by a joint product and a by-product? How are they different?

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4. (a) The following information is given to you from the records of P Ltd. for the year 2013:

Budgeted Sales Value in 2013:	
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 Costs	₹ 12,00,000 for the whole year 2013, 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 is 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

