

INTERMEDIATE EXAMINATION

December 2014

I-P8(CMA)

Syllabus 2008

Cost & 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 and answer any five form the rest.

Working notes should form part of your answer.

1. (a) Match the statement in Column I with the appropriate statement in Column II: 1x5=5

Column I

Column II

- (i) FIFO (A) Direct Material Cost
- (ii) Cost Object (B) Labour Incentive Scheme
- (iii) Standard Costing (C) Activity Based Costing
- (iv) Primary Packing Material (D) Issue of Material
- (v) Time & Motion Study (E) Predetermined Cost

(b) State whether the following statements are 'True' or 'False': 1x5=5

- (i) Idle time variance is always favourable.
- (ii) Under-absorption of overhead results in higher amount of profit.
- (iii) An increase in variable cost increases contribution.
- (iv) What was once a by-product of an industry may become main product at a later date.
- (v) Replacement cost is the cost of replacing existing assets at present or at a future date.

(c) Fill in the blanks suitably: 1x5=5

- (i) If the actual output is more than the normal output, the difference between the two is \_\_\_\_\_
- (ii) Under \_\_\_\_\_, employees receive a constant proportion of value added.
- (iii) For identifying slow moving stocks, it is necessary to compute the \_\_\_\_\_ ratio.
- (iv) Material usage variance is the sum of \_\_\_\_\_ and \_\_\_\_\_.
- (v) Where production is as per requirement of customer, the costing method used in such industries is \_\_\_\_\_.

(d) In the following cases, one out of four answers is correct. You are required to indicate the correct answer (= 1 mark) and give brief workings (= 1 mark): 2x5=10

(i) A hospital is open for 365 days, but bed occupancy is 25 patients per day for 120 days and 20 beds occupied for another 80 days. Extra beds occupied during the year is 400. The patient-days of the hospital is

- (a) 4,000 (c) 3,500
- (b) 5,000 (d) 4,600

(ii) A company manufactures two products using common handling facility. The total budgeted material handling cost is ₹ 60,000. Other details are:

Particulars	Product A	Product B
Number of units produced	30	30
Material moves per product line	5	15

Under Activity Based Costing System, material handling cost to be allocated to Product A per unit is

- (a) ₹ 1,000 (c) ₹ 1,500
- (b) ₹ 500 (d) ₹ 2,500

(iii) A Ltd. has fixed costs of ₹ 6,00,000 per annum. It manufactures a single product which sells for ₹ 200/unit. Its contribution is to Sales ratio is 40%. A Ltd.'s break-even in units is

- (a) 7,500 (c) 3,000  
(b) 8,000 (d) 1,500

(iv) The following data are given for an industry using batch costing.

Annual consumption of components—2400 units

Setting up cost per batch—₹ 100

Manufacturing cost/unit—₹ 200

Carrying cost/unit—6% per annum

Economic Batch quantity would be

- (a) 300 units (c) 200 units  
(b) 400 units (d) 250 units

(v) A worker has a time rate of ₹ 15/hour. He has taken 48 hours to finish a job where Standard time is 60 hours. His total wages including Rowan Bonus for the week is

- (a) ₹ 792 (c) ₹ 840  
(b) ₹ 820 (d) ₹ 864

2. (a) State briefly the usefulness of Break-even analysis. 5

(b) A product of XYZ Ltd. Co. passes through two processes A and B. 10,000 units at a cost of ₹ 1.10 were issued to process A. Other direct expenses were as follows:

Particulars	Process A	Process B
Sundry Materials (₹)	2,000	2,000
Direct Labour (₹)	4,500	8,000
Direct Expenses (₹)	1,500	1,500

Wastage of process A was 5% and in process B 4%.

Wastage of process A was sold at ₹ 0.25 per unit and that of process B at ₹ 0.50 per unit. Overhead charges were 160% of direct labour.

Prepare Process A/c 'A' and Process A/c 'B'. 5+5=10

3. (a) Z Ltd. has two autonomous divisions: A and B with objective to maximize divisional profits. Divn. A produces X and transfer to Divn. B. B sells X in the external market after incurring processing cost (variable) of ₹ 8 per unit.

The demand of X in the external market varies with the selling price as given below:

Demand in units in a month	Selling price per unit ₹
2000	50
3000	45
4000	40

A incurs variable cost of ₹ 20 per unit of X and fixes Transfer Price at ₹ 30 per unit.

(i) Find divisional contributions and contribution of Z Ltd. at the Transfer Price of ₹ 30 per unit.

(ii) Examine how the company's profits would change if the Transfer price is changed to ₹ 25 per unit.

4+6=10

(b) What is scrap? How do you treat scrap in Cost Accounts?

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