INTERMEDIATE EXAMINATION

December 2013

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** *from the rest.*

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

Column I	Column II
(i) Machine Hour Rate	(A) Control of Inventory
(ii) DISC method	(B) Investment Planning
(iii) Batch Costing	(C) Time keeping
(iv) Capital Expenditure Budgeting	(D) Absorption of factory overhead
(v) FSND Analysis	(E) Toy Industry

(b) State whether the following statements are TRUE or FALSE: 1×5=5

(i) Cost Accounting is defined as technique and process of ascertaining costs.

(ii) An efficient worker always gets more bonus under Rowan Plan in comparison to Halsey 50% plan.

(iii) Marginal cost includes prime cost plus variable overhead.

(iv) Master budget is prepared generally for long-term.

(v) Average stock level = Average consumption × Average re-order period.

(c) Fill in the blanks: 1×5=5

(i) Difference between Sales and BEP is known as ________.

(ii) ________ is the value of benefit sacrificed in favour of an alternative course of action.

(iii) Cost of abnormal idle time is charged to ________.

(iv) Aggregate of indirect material, indirect Labour and indirect expenses is known as ________.

(v) WIP appears on the credit side of the contract account when the contract is ________ at end of the accounting period.

(d) In the following cases, one out of four answers is correct. You are required to indicate the correct answer (= 1 mark) and give workings (= 1 mark): 2×5=10

(i) Total cost of 2000 units is ₹ 32000 and for 3200 units is ₹ 38,000. Fixed cost will be

(a) ₹ 32,000

(b) ₹ 22,000

(c) ₹ 20,000

(d) ₹ 6000

(ii) 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) 25%

(iii) The standard and actual data for product 'MNP' are given as under:
Standard 40 hours @ ₹ 20 per hour. Actual 45 hours @ ₹ 22 per hour, so labour efficiency variance is

(a) ₹ 90 Adverse

(b) ₹ 100 Favourable

(c) ₹ 90 Favourable

(d) ₹ 100 Adverse

(iv) If the capacity usage ratio of a production department is 90% and activity ratio is 99%, then efficiency ratio is

(a) 120%

(b) 110%

(c) 90%

(d) 100%

(v) Monthly demand of a product is 500 units. Set up cost per batch is ₹ 60 cost of manufacturing per unit is ₹ 20 Rate of Interest is 10% p .a. Based on these parameter, the Economic Batch Quantity would be

(a) 600 units

(b) 500 units

(c) 1500 units

(d) 1000 units

2. (a) Chandu Ltd. is currently working at its 60% capacity and produces 24,000 units. The unit cost and selling price for the same level are as follows:

	Per unit (₹)
Material	120
Labour	90
Factory overhead (80% variable)	60
Administrative overhead (75% fixed)	40
Selling and distribution overhead (50% variable)	30
Total Cost per unit	340
Selling price per unit	500

You are required to prepare a flexible budget and estimate the profit of the company when it works at 80% and 100% capacities. It is believed that at 80% capacity raw material cost increases by 3% and selling price falls by 3% whereas at 100% capacity raw material cost increases by 5% and selling price falls by 10%. 5+5=10

(b) List out ten functional budgets. 5