INTERMEDIATE EXAMINATION

June 2014

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 and Answer* **any five** *from 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) ABC Analysis	(A) Management by Exception
(ii) Split-off Point	(B) Supervisor's Salary
(iii) Flex Method	(C) Selective Control of Inventory
(iv) Variance Analysis	(D) Measurement of Labour Turn-over
(v) Stepped Cost	(E) Tool in Finance Management
	(F) Joint Products
	(G) Decision Making
	(H) Evaluation of a job

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

(i) Uniform Costing is not a distinct method of Costing.

(ii) Under the Integrated System, records are maintained separately for Cost and Financial accounts.

(iii) The year-end inventory of Finished Goods under Absorption Costing is valued at Total Cost.

(iv) Budgeting is one such technique that helps in Planning as well as in Controlling.

(v) Standard Costing is determined even before the commencement of Production.

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

(i) The Objective of Wage Incentives is to improve __________.

(ii) Equivalent Production represents the Production of a process in terms of __________ units.

(iii) In order to protect the contractor from the risk of the rise in the price, an __________ clause may be inserted in the contract.

(iv) The term 'By-Products' is sometimes used synonymously with the term '__________'.

(v) In 'make or buy' dicisions, it is profitable to buy from outside only when the Supplier's price is below the firm's own __________.

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

(i) The P/V ratio of Delta Ltd., is 50% and the MOS is 40%. The company sold 500 units for ₹ 5,00,000. Calculate BEP.

(a) 500 units (c) 400 units

(b) 300 units (d) None of these

(ii) When material used in production being 1,000 units @ ₹ 5 per unit of which 100 units scraped is sold @ ₹ 0.50 per unit after incurring additional cost of ₹ 200, the effective cost per unit will be

(a) ₹ 6.00 (c) ₹ 5.72

(b) ₹ 5.60 (d) ₹ 5.90

(iii) A company buys in lots of 6,250 units, which is a 3 months supply. The cost/unit is ₹ 2.40. Each order costs ₹ 45 and the inventory carrying cost is 15% of the average inventory value.

Calculate the EOQ.

(a) 3,000 units (c) 2,500 units

(b) 2,000 units (d) None of these

(iv) Product Z has a P/V ratio of 28%. Fixed operating costs directly attributable to Product Z during the Quarter II of the financial year will be ₹ 2,80,000.

Calculate the Sales Revenue required to achieve a quarterly profit of ₹ 70,000.

(a) ₹ 10 Lakhs (c) ₹ 15 Lakhs
(b) ₹ 12.50 Lakhs (d) None of these

(v) X executes a piece of work in 120 hrs. as against 150 hrs. allowed to him. His hourly rate is ₹ 10 and he gets a Dearness Allowance of ₹ 30 per day of 8 hrs. worked in addition to his wages.

You are required to calculate the Total Wages Payable under the Rowan Premium Plan.

(a) ₹ 1,890 (c) ₹ 1,900
(b) ₹ 2,000 (d) None of these

2. (a) M/s. J Stone & Co. Ltd. prepares budgets for a production and sales for 3,00,000 units. The variable cost is ₹ 28 per unit and fixed costs are ₹ 12,00,000. The company fixes its selling price to fetch a profit of 20% on sales.

You are required to find out the following:

(i) Ascertain Break-even point in units.
(ii) Ascertain P/V ratio.
(iii) If the selling price is reduced by 10%, how will it effect the BEP?
(iv) If the company wants to earn a profit of 10% more than the budgeted profit, what should be the sales at reduced price? 3+2+2+3=10

(b) What are the limitations of zero-based budgeting? 5

3. (a) Dynamic division of Star Co. Ltd. is a profit centre producing product X, Y and Z which have external market for sale. The following data are available in the year 2012.

	X	Y	Z
Market price	₹ 200	₹ 150	₹ 130
Variable cost per unit	₹ 150	₹ 130	₹ 120
Machine hour per unit required	5	5	5

Product X may be transferred to smart division of the concern and the maximum quantity is 1000 units.

Expected maximum demand in the external market are:

X	2000 units
Y	1500 units
Z	900 units

Total hours available in Dynamic division is 21,000. Product X is also available from outside market at ₹ 150.

Compute the transfer price of product X and advise. 3+3+3+1=10

(b) State the objectives of transfer pricing. 5

4. (a) X Co. is currently selling three products A, B and C. Due to recession, the management is forced to lower selling price of all the three products. In a particular year, product B is sold below its total cost and the management wants not to manufacture product B. The following data are available for the year:

	Product A	Product B	Product C
Production and sale	20000 units	16000 units	12000 units
Selling price per unit	**₹ 25**	**₹ 22**	**₹ 18**
Total cost per units (₹):			
Direct materials	10	9	6
Direct labours	8	7	5
Variable overhead	5	5	3
Fixed overhead (total ₹ 53,400 apportioned on the basis of the total sales value)	1.25	1.10	0.9
	24.25	22.10	14.90