INTERMEDIATE EXAMINATION

December 2013

P–10(CMA)
Syllabus 2012

Cost & Management Accountancy

Time Allowed: 3 Hours | Full Marks: 100

The figures in the margin on the right side indicate full marks.
QUESTION 1, *which is compulsory. Attempt all of them.*
Section-A has three questions. Attempt any two of them.
Section-B has two questions. Attempt any one of them.
Section-C has three questions. Attempt any two of them.

Please:
1. Write answers to all parts of a question together.
2. Open a new page for answer to a new question.
3. Attempt the required number of questions only.

1. Answer all questions:

(a) ANKIT LTD. operates a throughput accounting system. The details of product B-1 per unit are as under:

Selling price	₹ 30
Material Cost	₹ 12
Conversion Cost	₹ 15
Time on bottleneck resources	6 minutes

Calculate the Return per hour for Product B-1. 2

(b) The following figures have been given for Profit and Sales from the accounts of ZEESLIN LTD.

Year	Sales (₹)	Profit (₹)
2011	2,00,000	20,000
2012	3,00,000	40,000

Calculate the sales required to earn a Profit of ₹ 50,000. 2

(c) In a factory of ARITAN LTD. operating Standard Costing System, 2000 kgs of a material @ ₹ 12 per kg were used for a product, resulting in price variance of ₹ 6000 (FAV) and usage variance of ₹ 3000 (ADV). What is the standard material cost of actual production of a product? 2

(d) The cost per unit of a product manufactured in a factory of ZENION LTD. amounts to ₹ 160 (75% variable) when production is 10000 units. If the production increases by 25% what would be the cost of production per unit? 2

(e) What are the limitations of Inter-firm comparison? 2

Please Turn Over

(f) ARIHANT LTD. is a 100% EOU as per the policy announced under the Foreign Trade Policy but is not registered under the provisions of Foreign Trade Policy.
Will this company be exempted from mandatory Cost Audit? 2

(g) A Company is covered under the Companies (Cost Accounting Records) Rules, 2011. But some of its products are not covered under Cost Audit.

Does such Company need to file Compliance Report? 2

(h) What are the determinants of Demand? 3

(i) The demand function is $x = 80 + 2P + 5P^2$ where 'x' is the demand for the commodity at Price 'P'. Find the elasticity of demand at P = 5. 3

SECTION A

Answer any two *questions (carrying 20 marks each) from this section.*

2. (a) A review, made by the top management of THAKAR LTD. which makes only one product, of the result of first quarter of the year revealed the following:

Sales in units	10,000
Loss in ₹	10,000
Fixed cost (for the year ₹ 1,20,000) in ₹	30,000
Variable cost per unit in ₹	8

The Finance Manager who feels perturbed suggests that the company should at least break even in the second quarter with a drive for increased sales. Towards this, the company should introduce a better packing which will increase the cost by ₹ 0.50 per unit.

The Sales Manager has an alternate proposal. For the second quarter additional sales promotion expenses can be increased to the extent of ₹ 5,000 and a profit of ₹ 5,000 can be aimed at for the period with increased sales.

The Production Manager feels otherwise. To improve the demand, the selling price per unit has to be reduced by 3 per cent. As a result the sales volume can be increased to attain a profit level of ₹ 4,000 for the quarter.

The Managing Director asks you as a Cost Accountant to evaluate these three proposals and calculate the additional Sales Volume that would be required in each case, in order to help him take a decision.
2+8=10

(b) ESKAY LTD. operates a system of standard costing throughout its division. The company produces an alloy by mixing and processing three materials P, Q and R as per standard data given below:

Materials	Ratio of Input	Cost per kg (₹)
P	2	40
Q	2	60
R	1	85

Note: Loss during processing is 5% of input and this has no realizable value.