INTERMEDIATE EXAMINATION

June 2015 *P–8(CAFM)*
Syllabus 2012

Cost Accounting and Financial Management

Time Allowed: 3 Hours Full Marks: 100

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

All questions are compulsory, subject to internal choice as per instruction provided against each question.

All workings must form part of the answers.

Wherever necessary, candidates may make assumptions and clearly state them in the answer.

No Present Value factor table or other table will be provided along with this question paper.

I. Answer *all* sub-divisions: 2×10=20

(a) Calculate the variable overhead per hour and the amount of fixed overheads from the following information:

Activity level (Hours)	Total Budgeted overhead (₹)
21000	1,25,000
28000	1,53,000

(b) Direct material and direct labour cost of job No. 111 are ₹ 760 and ₹ 550 respectively. Overheads are charged @ 60% of direct labour. If the profit is included @ 20% of the price charged to customer, then calculate the price of job No. 111.

(c) Ascertain the future value of annuity of ₹ 25,000 at the end of 6 years at 9% p.a. compounded annually. Assume that the amount is deposited at the beginning of every year.

(d) Average collection period is 2 months, Cash sales and average receivables are ₹ 5,00,000 and ₹ 6,50,000 respectively. Find the amount of total sales.

(e) Toli Ltd. earned a contribution of ₹ 50 per unit on 65,000 units sold. Company's debt is ₹ 30,00,000 at 12% rate of interest and Fixed Costs are ₹ 7,50,000. Calculate the Financial Leverage.

(f) Determine which company is more profitable

	A. Ltd.	**B. Ltd.**
Net profit ratio	5%	8%
Turnover ratio	6 times	3 times

(g) Cost of a machine is ₹ 30,000. Estimated scrap value at the end of 10 years ₹ 6,000. Running hours of the machine 24,000 p.a. Find out the depreciation per hour.

Please Turn Over

(h) Mr. X expects to receive ₹ 2,00,000 at the end of three years. What would be the present value if the rate of discount is 10%?

(i) In a factory, a worker produced 14 units in a day of 8 hours. Wage rate per hour is ₹ 40. Standard output per hour is 2 units. Under differential piece rate system, a worker is paid at 83% when his performance is below standard and 125% of piece rate when his performance is at or above standard. Find out the labour cost of the worker for the day.

(j) The number of employees at the beginning and end of year 2014 was 380 and 420. During the year, 18 employees resigned, 6 were terminated and there were 16 replacements. Find the Labour Turnover Ratio under the Flux Method.

II. Answer *any three* sub-divisions from (a) to (d): 16×3=48

(a) (i) Naitik Limited produces a product which has a weekly demand of 2500 units. The product requires 5 kg. material for every finished unit of product. Material is purchased at ₹ 104 per unit. The ordering cost is ₹ 200 per order and the carrying cost is 10% per annum.

(1) Calculate Economic Order Quantity.

(2) Should the company accept an offer of 3% discount by the supplier who wants to supply the annual requirement of the material in five equal instalments? 3+5=8

(ii) Two workmen, Gyani and Jeetu, produce the same product using the same material. Their normal wage rate is also the same. Gyani is paid bonus according to the Halsey System, while Jeetu is paid bonus according to the Rowan System. The time allowed to make the product is 40 hours. Gyani takes 25 hours while Jeetu takes 32 hours to complete the product. The factory overheads are charged @ 125% of direct labour cost. The factory cost for the product for Gyani is ₹ 8,925 and for Jeetu it is ₹ 9,456.

You are required to:

(1) find the normal rate of wages;

(2) find the cost of materials;

(3) prepare a statement comparing the elementwise factory cost of the products as made by the two workmen. 2+2+4=8

(b) (i) The total available working hours in a month in respect of a machine is 200 hours.

The idle-time card reveals as follows:

Tea break	20 hours
Waiting for job	10 hours
Waiting for tools	6 hours
Break down (major)	10 hours

Report the idle-time cost to the management under the appropriate category if hourly fixed costs of the machine amount to ₹ 4·25 and the operator is paid ₹ 0·75 per hour. 6

(ii) Compute total direct expenses of Product X from the following information, giving appropriate explanatory notes:

Particulars	**Figures**
Production (Units)	20000
Sales (Units)	16000
Labour hours	10000
Labour rate per hour ₹	8
Royalty per unit of sale ₹	2
Royalty per unit of production ₹	1
Design Charges ₹	12,000
Interest on loan for purchase of machine ₹	5,000
Hire charges of equipment used for manufacturing product Y ₹	6,000
Penalty for violating Patent ₹	4,000

5