



**MODEL QUESTION PAPER**  
**INTERMEDIATE**  
**PAPER - 8**  
**COST ACCOUNTING**

**SET 1**  
**TERM – DEC 2023**

**Time Allowed: 3 Hours**

**Full Marks: 100**

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

**SECTION – A**

**1. Multiple Choice Questions:**

**[15 x 2 = 30]**

- (i) \_\_\_\_\_ deals with the principles and methods of determining the production or operation overheads.
- CAS-3
  - CAS-5
  - CAS-9
  - CAS-16
- (ii) Time and motion study is conducted by the \_\_\_\_\_.
- Time –keeping department
  - Personnel department
  - Payroll department
  - Engineering department
- (iii) Royalty paid on sales ₹89,000 and Software development charges related to product is ₹22,000. Calculate Direct Expenses.
- ₹1,11,100
  - ₹1,11,000
  - ₹1,11,110
  - ₹1,10,000
- (iv) Marginal Costing technique follows which of the following basis of classification?
- Element wise
  - Function wise
  - Behaviour
  - Identifiability wise
- (v) If an organization has all the resources it needs for production, then the principal budget factor is most likely to be \_\_\_\_\_.
- non-existing
  - sales demand
  - raw materials
  - labour supply



- (vi) In process, conversion cost means \_\_\_\_\_.
- Cost of direct materials, direct labour, direct expenses
  - Direct labour, direct expenses, indirect material, indirect labour, indirect expenses
  - Prime cost plus factory overheads
  - All costs up to the product reaching the consumer, less direct material costs
- (vii) If sales are ₹150,000 and variable cost are ₹50,000. Compute P/V ratio.
- 66.66%
  - 100%
  - 133.33%
  - 65.66%
- (viii) Selling and distribution overheads are absorbed on the basis of \_\_\_\_\_.
- rate per unit.
  - percentage on works cost.
  - percentage on selling price of each unit.
  - Any of the above
- (ix) In a process 800 units are introduced during 2022-23. 5% of input is normal loss. Closing work-in-progress 60% complete is 100 units. 660 completed units are transferred to next process. Equivalent production for the period is \_\_\_\_\_.
- 760 units
  - 744 units
  - 540 units
  - 720 units
- (x) A hotel having 100 rooms of which 80% are normally occupied in summer and 25% in winter. Period of summer and winter be taken as 6 months each and normal days in a month be assumed to be 30. The total occupied room days will be \_\_\_\_\_.
- 1525 Room days
  - 18900 Room days
  - 36000 Room days
  - None of the above
- (xi) Integral accounts eliminate the necessity of operating \_\_\_\_\_.
- Cost Ledger Control Account
  - Store Ledger Control Account
  - Overhead Adjustment Account
  - None of the above
- (xii) Batch Costing is suitable for \_\_\_\_\_.
- Sugar Industry



- b. Chemical Industry
- c. Pharma Industry
- d. Oil Industry

(xiii) In which of the following incentive plan of payment, wages on time basis are not Guaranteed?

- a. Halsey plan
- b. Rowan plan
- c. Taylor's differential piece rate system
- d. Gantt's task and bonus system

(xiv) During a period 13600 labour hours were worked at a standard rate of ₹8 per hour. The direct labour efficiency variance was ₹8,800 (Adv). How many standard hours were produced?

- a. 12000 hours
- b. 12500 hours
- c. 13000 hours
- d. 13500 hours

(xv) Difference between standard cost and actual cost is called as \_\_\_\_\_.

- a. Wastage
- b. Loss
- c. Variance
- d. Profit

**SECTION-B**

**(Answer any five questions out of seven questions given. Each question carries 14 Marks)**

2. (a) From the following information, illustrate and prepare a statement showing profit for the period and determine Cost per Unit.

1.

	Opening	Closing
Raw Materials:	₹29,500	₹36,000
Work-in-progress:		
Material	13,600	12,000
Wages	11,000	16,500
Works overhead	6,600	9,900
Finished Goods:	200 units@ ₹84	1600 Units

2. Purchases of raw material ₹1,90,000, Carriage on purchases ₹1,500, Sale of scrap of raw materials ₹5,000

3. Wages ₹2,97,000

4. Works overheads are absorbed @ 60% of direct labour cost.

5. Administration overhead are absorbed @ ₹ 12 per unit produced.



6. Selling and distribution overhead are absorbed @ 20% of selling price.

7. Sales – 7600 units at a profit of 10% on sales price. [7]

(b) PQR Tubes Ltd. are the manufacturer of picture tubes of T.V. The following are the details of their operations during 2022-2023.

Ordering cost	₹100 per order	Inventory carrying cost	20% p.a.
Cost of tubes	₹500 per tube	Normal usage	100 tubes per week
Minimum usage	50 tubes per week	Maximum usage	200 tubes per week
Lead time to supply	6-8 weeks		

Compute:

(i) Economic order quantity. If the supplier is willing to supply quarterly 1,500 units at a discount of 5%, is it worth accepting?

(ii) Re-order level;

(iii) Maximum level of stock;

(iv) Minimum level of stock. [7]

3.(a) A Company has three production cost centers A, B and C are two service cost centres X and Y. Cost allocated to service centres are required to be apportioned to the production centres to find out cost of production of different products.

It is found that benefit of service cost centres is also received by each other along with production cost centres.

Overhead cost as allocated to the five cost centres and estimates of benefit of service cost centres received by each of them are as under:

Cost Centres	Overhead costs as allocated	Estimates of benefits received from service centres (%)	
		X	Y
A	80,000	20	20
B	40,000	30	25
C	20,000	40	50
X	20,000	--	5
Y	10,000	10	-



**Required:**

Compute the final overhead costs of each of the production department including reapportioned cost of service centres using –

(A) Continuous distribution method and

(B) Simultaneous equation method

[7]

- (b) M/s Mysore Petro Ltd. showed a net loss of ₹ 2,08,000 as per their financial accounts for the year ended 31st March, 2023. The Cost Accounts, however, disclosed a net loss of ₹ 1,64,000 for the same period. The following information was revealed as a result of the scrutiny of the figures of both the sets of books.

1. Factory overhead under recovered	₹ 3,000
2. Administration overhead over recovered	₹ 2,000
3. Depreciation charged in financial books	₹ 60,000
4. Depreciation recovered in costs	₹ 65,000
5. Interest on investment not included in costs	₹ 10,000
6. Income-tax provided	₹ 60,000
7. Transfer fee (in financial Books)	₹ 1,000
8. Stores adjustment (credit in financial books)	₹ 1,000

Prepare Reconciliation Statement.

[7]

4. (a) From the following information relating to a hotel, calculate the room rent to be charged to give a profit of 25% on cost excluding interest

- (i) Salaries of staff: ₹1,02,200 p.a.
- (ii) Wages of the room attendant: ₹4 per day  
There is a room attendant for each room. He is paid wages only when the room is occupied
- (iii) Lighting, Heating and Power
  - A. The normal lighting expenses for each room from the whole month is ₹100 when occupied
  - B. Power is used only in winter and the charges are ₹40 for a room, when occupied.
- (iv) Repairs to buildings: ₹10,000 p.a.
- (v) Licence etc.: ₹4,800 p.a.
- (vi) Sundries: ₹6,600 p.a.
- (vii) Interior decoration and furnishing: ₹10,000 p.a.
- (viii) Depreciation @5% is to be charged on buildings costing ₹4,00,000 and 10% on equipments.
- (ix) Interest to be charged @20% on investment in building and equipments amounting to ₹5,00,000
- (x) There are 100 rooms in the hotel 80% of the rooms are generally occupied in summer and 30% in winter. The period of summer and winter may be considered to be of 6 months in each case: A month may be assumed of 30 days.

[7]



- (b) Deluxe limited undertook a contract for ₹5,00,000 on 1st July, 2022. On 30th June 2023 when the accounts were closed, the following details about the contract were gathered:

Materials purchased	1,00,000
Wages paid	45,000
General expenses	10,000
Plant Purchased	50,000
Materials on hand 30.6.2023	25,000
Wages accrued 30.6.2023	5,000
Work certified	2,00,000
Cash received	1,50,000
Depreciation of Plant	5,000
Work uncertified	15,000

The above contract contained an escalator clause which read as follows:

“In the event of prices of materials and rates of wages increase by more than 5% the contract price would be increased accordingly by 25% of the rise in the cost of materials and wages beyond 5% in each case”.

It was found that since the date of signing the agreement the prices of materials and wage rates increased by 25% the value of the work certify does not take into account the effect of the above clause.

Prepare the contract account. Working should form part of the answer. [7]

- 5.(a) A product passes through two processes. The output of Process I becomes the input of Process II and the output of Process II is transferred to warehouse. The quantity of raw materials introduced into process I is 20,000 kgs. at ₹ 10 per kg. The cost and output data for the month under review are as under:

Particulars	Process I	Process II
Direct materials	₹60,000	₹ 40,000
Direct labour	₹40,000	₹ 30,000
Production overheads	₹39,000	₹40,250
Normal loss	8 %	5%
Output	18,000	17,400
Loss realization of ₹/Unit	2.00	3.00

The company's policy is to fix the selling price of the end product in such a way as to yield a profit of 20% on selling price.

Required: (i) Prepare the Process Accounts, (ii) Determine the selling price per unit to the end product. [7]



(b) The standard material inputs required for 1,000 kgs. of a finished product are given below:

Material	Quantity (in kg)	Standard rate per kg. (in ₹)
P	450	20
Q	400	40
R	250	60
	1,100	
Standard loss	100	
Standard output	1,000	

Actual production in a period was 20,000 kgs. of the finished product for which the actual quantities of material used and the prices paid thereof, are as under:

Material	Quantity (in kgs)	Standard rate per kg. (in ₹)
P	10,000	19
Q	8,500	42
R	4,500	65

Calculate:

- (i) Material Cost Variances;
- (ii) Material Price Variance;
- (iii) Material Usage Variance;
- (iv) Material Mix Variance;
- (v) Material Yield Variance.

Present a reconciliation among the variances.

[7]

6. The Chief Cost Accountant of a company running an orchard with an adequate supply of labour, presents the following data and request you to advise about the area to be allotted for the cultivation of various types of fruits, which would result in maximization of profits.

The company contemplates growing Apples, Lemons, Oranges and Peaches:

Particulars	Apples	Lemons	Oranges	Peaches
Selling Price per box(₹)	15	15	30	45
Season yield in boxes per acre	500	150	100	200

**MODEL QUESTION PAPER****SET 1****INTERMEDIATE****TERM – DEC 2023****PAPER - 8****COST ACCOUNTING**

Costs:	₹	₹	₹	₹
Material per acre	270	105	90	150
Labour: Growing per acre	300	225	150	195
Picking and Packing per box	1.50	1.50	3	4.50
Transport per box	3	3	1.50	4.50

The Total Fixed Costs in each season would be ₹ 2,10,000

The following limitations are also placed before you.

- The area available is 450 acres but not of this, 300 acres are suitable for growing only oranges and lemons. The balance of 150 acres is suitable for growing any of the four fruits.
- The marketing strategy of the company requires the compulsory production of all the four types of fruits in a season and the minimum quantity of any one type to be 18,000 boxes. Calculate the total profit that would accrue if your advice is followed. [14]

7. (a) A factory is currently running at 50% capacity and produces 5,000 units at a cost of ₹90 per unit as per details below:

Material		₹50
Labour	15	
Factory Overheads	15 (₹ 6/- fixed)	
Administrative Overheads	10 (₹ 5/- fixed)	

The current selling price is ₹100 per unit.

At 60% working, material cost per unit increase by 2% and selling price per unit falls by 2%.

At 80% working, material cost per unit increase by 5% and selling price per unit falls by 5%.

Compute and estimate profits of the factory at 60% and 80% working and offer your comments. [7]

- (b) Describe the objectives and functions of Cost Accounting Standards Board. [7]

8. (a) Explain the objectives of cost accounting. [4]

- (b) Summarize the principle of measurement of direct expenses as per CAS-10. [5]

- (c) Prepare a statement showing the differences between 'Bin Card' and 'Stores Ledger'. [5]