INTERMEDIATE EXAMINATION **SET - 1**

MODEL QUESTION PAPER **TERM – DECEMBER 2024**

PAPER – 8 **SYLLABUS 2022**

COST ACCOUNTING

Time Allowed: 3 Hours **Full Marks: 100**

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

SECTION – A (Compulsory)

1. Choose the correct option: **[15 x 2 = 30]**

(i) What is the primary objective of cost accounting?

a. Maximize profits
b. Record financial transactions
c. Provide financial statements
d. Facilitate cost control and decision-making

(ii) If the direct materials consumed are ₹30,000, direct labour is ₹20,000, and factory overhead is 15,000, what is the total manufacturing cost?

a. 50,000
b. 65,000
c. 35,000
d. 20,000

(iii) The sum of direct labour and factory overhead is termed __________.

a. Prime Cost
b. Conversion Cost
c. Cost of goods manufactured
d. Direct Cost

(iv) A company employs three drivers to deliver goods to its customers. The salaries paid to these drivers are:

a. a part of prime cost
b. a direct production expense
c. a production overhead
d. a selling and distribution overhead

(v) What does CAS-11 emphasize regarding the treatment of abnormal administrative costs?

a. Inclusion in cost calculations
b. Exclusion from cost calculations
c. Separate disclosure in footnotes
d. Attestation by external auditors

(vi) Which of the following is a scientific and accurate method for calculating factory overhead absorption?

a. Percentage of prime cost method
b. Machine hour rate method
c. Percentage of direct material cost method
d. Percentage of direct labour cost method

(vii) A company calculates the prices of jobs by adding overheads to the prime cost and adding 30% to total costs as a profit margin. Job number Y256 was sold for ₹1,690 and incurred overheads of ₹694. What was the prime cost of the job?

a. 489
b. 606
c. 996
d. 1,300

(viii) Which of the following does not form part of prime cost?
a. GST paid on raw materials (input credit can be claimed)
b. Cost of transportation paid to bring materials to factory
c. Cost of packing
d. Overtime premium paid to workers

(ix) Job costing is:
a. Suitable where similar products are produced on a mass scale
b. Method of costing used for non-standard and non-repetitive products
c. Applicable to all industries regardless of the products or services produced
d. None of the above

(x) Normal capacity of a plant refers to the difference between:
a. Maximum capacity and practical capacity
b. Maximum capacity and actual capacity
c. Practical capacity and estimated idle capacity as revealed by long term sales trend
d. Practical capacity and normal capacity

(xi) A flexible budget requires a careful study of:
a. Fixed, semi-fixed and variable expenses
b. Past and current expenses
c. Overheads, selling and administrative expenses.
d. None of these.

(xii) Marginal Costing technique follows the ____________ basis of classification of costs.
a. Element wise
b. Function Wise
c. Behaviour wise
d. Identifiability wise

(xiii) What characterizes a non-integrated cost accounting system?
a. Unified ledger system
b. Separate cost and financial accounts
c. Sole reliance on cost principles
d. Complex reconciliation processes

(xiv) Administration overheads are usually absorbed as a percentage of _____________.
a. Works Cost
b. Prime Cost
c. Cost of goods sold
d. Cost of production

(xv) If the time saved is less than 50% of the standard time, then the wages under Rowan and Halsey premium plan on comparison gives:
a. Equal wages under two plans
b. More wages to workers under Halsey Plan than Rowan Plan
c. More wages to workers under Rowan Plan than Halsey Plan
d. None of the above

SECTION-B

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

[5x14=70]

2. (a) An advertising agency has received an enquiry. Bill of material prepared by the production department for the job states the following requirement of material:

Paper 10 reams @ ₹1,800 per ream

Ink and other printing material ₹5,000

Binding material & other consumables ₹3,000

Some photography is required for the job. The agency does not have a photographer as an employee. It decides to hire one by paying ₹10,000 to him. Estimated job card prepared by production department specifies that the service of the following employees will be required for this job:

Artist (₹12,000 per month) 80 hours

Copywriter (₹10,000 per month) 75 hours

Client servicing (₹9,000 per month) 30 hours

The primary packing material will be required to the tune of ₹4,000. Production overheads are 40% of direct costs, while the selling & distribution overheads are likely to be 25% on Production Costs. The agency expects a profit of 20% on the quoted price. The agency works 25 days in a month and 6 hours a day. You are required to illustrate the quotation which is supposed to be submitted. **[7]**

(b) The Purchase Department of S Ltd. has received an offer of quantity discounts on its orders of materials as under:

Price per tonne (₹)	Tonnes
1,180	500 and less than 1,000
1,160	1,000 and less than 2,000
1,140	2,000 and above

The annual requirement for the material is 5,000 tonnes. The delivery cost per order is ₹1,000 and the stock holding cost is estimated at 20% of material cost per annum. Calculate and advise the Purchase Department the most economical purchase level. **[7]**

3. (a) In a manufacturing unit, overhead was recovered at a predetermined rate of ₹25 per man-day. The total factory overhead incurred and the man-days actually worked were ₹41,50,000 and 1,50,000 respectively. Out of the 40,000 units produced during a period of 30,000 units were sold. There were also 30,000 uncompleted units which may be reckoned at 66.67% complete.

On analysing the reasons, it was found that 40% of the unabsorbed overheads were due to defective planning and the rest were attributable to increase overhead costs.

Calculate the unabsorbed overhead and how would it be treated in Cost Accounts. **[7]**

(b) From the accounts of A Co. Ltd. the following Manufacturing, Trading and Profit and Loss Account for the year ended 31st December, 2023, is extracted:

Particulars	₹	Particulars	₹
To Raw Materials:		By Raw Materials:	
Opening stock	59,000	Closing stock	64,000
Raw Materials Purchases	3,73,000		

To Wages paid	5,62,000	By Work-in-Progress: Materials 8,000 Wages 11,000 Factory exp. 6,600	25,600
To Wages accrued	34,000	By Cost of goods manufactured (18,000 units)	13,19,900
To Factory expenses	3,81,500		
	14,09,500		14,09,500
To Cost of goods manufactured	13,19,900	By Sales (15,200 units)	18,24,000
To Administration expenses	2,45,000	By Finished Stock (2,800 units)	2,35,200
To Selling and Distribution Expenses	3,28,000	By Interest on Investments	2,600
To Preliminary expenses written-off	18,000	By Dividend earned	11,000
To Goodwill written-off	17,000		
To Net Profit transferred to Appropriation A/c	1,44,900		
	20,72,800		20,72,800

The following procedure is adopted in connection with the costing of the product:
(A) Factory expenses are allocated to production at 60% of direct labour cost.
(B) Administration expenses are applied at ₹12 per unit over the units produced.
(C) Selling and distribution expenses are charged so as to work out at 20% of selling price.

Prepare Costing Profit and Loss Account and the Statement of Reconciliation between the profit or loss as per the two accounts. **[7]**

4. **(a)** Mr. Nikhil started transport business with a fleet of 10 taxis. The various expenses incurred by him are given below:

(A) Cost of each taxi	₹ 1,20,000
(B) Salary of office staff	₹ 6,500 p.m.
(C) Salary of garage staff	₹ 3,500 p.m.
(D) Rent of garage	₹ 10,000 p.m.
(E) Driver's salary per taxi	₹ 5,000 p.m.
(F) Road tax and repairs per taxi	₹ 30,000 p.a.
(G) Insurance premium @ 5% of cost p.a.	

The life of a taxi is 3,00,000 Km. and at the end of which it is estimated to be sold at ₹30,000. A taxi runs on an average of 5,000 km. per month of which 20% it runs empty. Petrol consumption is 10 Km. per liters of petrol costing ₹70 per liters. Oil and other sundry expenses amount to ₹50 per 100 Km.
Calculate the effective cost of running a taxi per Km. If the hire charge is ₹15 per Km, determine the profit Mr. Nikhil may expect to make in the first year of operation **[7]**

(b) A company undertook a contract for construction of a large building complex. The construction work commenced on 1st April, 2023 and the following data are available for the year ended 31st March, 2024.

Particulars	(₹ '000)
Contract Price	35,000
Work Certified	20,000
Progress Payments Received	15,000
Materials Issued to Site	8,500
Planning & Estimating Costs	1,000
Direct Wages Paid	4,020

Materials Returned From Site	270
Plant Hire Charges	2,000
Wage Related Costs	500
Site office costs	650
Head Office Expenses apportioned	350
Direct Expenses incurred	1,000
Work Not Certified	150

The contractors own a plant which originally cost ₹30 lacs have been continuously in use in this contract throughout the year. The residual value of the plant after 5 years of life is expected to be ₹5 lacs. Straight line method of depreciation is in use.

As on 31st March, 2024 the direct wages due and payable amounted to ₹2,50,000 and the materials at site were estimated at ₹5,00,000. Required:

(i) Prepare the contract account for the year ended 31st March, 2024.

(ii) Calculate the profit to be taken to the profit and loss account of the year. **[7]**

5. **(a)** In manufacturing the main Product 'A', a company processes the resulting waste material into two By-Products B and C. Prepare a comparative profit and loss statement of the three products, using reversal cost method of By-Products from the following data:

(i) Total cost up to separation point was ₹68,000

	A	B	C
(ii)Sales (all production)	₹ 1,64,000	₹ 16,000	₹ 24,000
(iii) Estimated net profit % to Sale Value	-	20%	30%
(iv) Estimated Selling Expenses as % of Sales Value	20%	20%	20%
(v) Costs after separation	-	₹ 4,800	₹ 7,200

[7]

(b) Prepare Sales Overhead Budget for the month of January, February and March for the estimates given below:

Advertisement	₹ 3,000
Salaries of the Sales Department	₹ 4,000
Expenses of the Sales Department	₹ 2,000
Counter Salesmen's Salaries and Dearness Allowance	₹ 6,000

Counter Salesmen's commission is 2% on their sales.

Travelling salesmen's commission at 10% on their sales and expenses at 5% on their sales. The sales during the period were estimated as follows:

Month	Counter Sales (₹)	Travelling Salesmen's Sales (₹)
January	1,00,000	20,000
February	1,50,000	30,000
March	1,75,000	40,000

[7]

6. The Standard labour complement and the actual labour complement engaged in a week for a job are as under:

	Skilled workers	Semi-Skilled workers	Unskilled workers
a) Standard no. of workers in the gang	32	12	6
b) Standard wage rate per hour (₹)	3	2	1
c) Actual no. of workers employed in the gang during the week	28	18	4
d) Actual wage rate per hour (₹)	4	3	2

During the 40 hour working week the gang produced 1,800 standard labour hours of work. Calculate the following:

1) Labour Efficiency Variance 2) Mix Variance
3) Rate of Wages Variance 4) Labour Cost Variance **[14]**

7. (a) A company manufactures scooters and sells it at ₹5,000 each. An increase of 17% in cost of materials and of 20% of labour cost is anticipated. The increased cost in relation to the present sales price would cause at 25% decrease in the amount of the present gross profit per unit.

At present, material cost is 50%, wages 20% and overhead is 30% of cost of sales.

You are required to:

(i) Prepare a statement of profit and loss per unit at present.

(ii) Calculate the new selling price to produce the same percentage of profit to cost of sales as before. **[7]**

(b) Explain, the treatment of the Idle Time as per CAS-7. **[7]**

8. (a) Distinguish between Cost Accounting and Management Accounting**.** **[4]**

(b) Analyze the costs based on the behaviour along with examples. **[5]**

(c) Explain in detail CAS 6 - Material Cost. **[5]**