INTERMEDIATE EXAMINATION

SET - 2

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) The difference between absorption costing and marginal costing is in regard to the treatment of:
a. Direct materials
b. Fixed overhead
c. Prime cost
d. Variable overhead

(ii) When sales and production (in units) are same then profits under:
a. Marginal costing is lower than that of absorption costing
b. Marginal costing is higher than that of absorption costing
c. Marginal costing is equal to that of absorption costing
d. None of the above

(iii) Sales budget is a ________.
a. expenditure budget
b. functional budget
c. master budget
d. None of these

(iv) P/V ratio will increase if there is _________.
a. a decrease in fixed cost
b. an increase in fixed cost
c. a decrease in selling price per unit.
d. a decrease in variable cost per unit.

(v) In a period, 11280 kilograms of material were used at a total standard cost of ₹46,248. The material usage variance was ₹492 adverse. What was the standard allowed weight of material for the period?
a. 11600 kg
b. 11160 kg
c. 12190 kg
d. 10590 kg

(vi) If sales are ₹1,50,000 and variable cost are ₹50,000. Compute P/V ratio.
a. 66.66%
b. 100%
c. 133.33%
d. 65.66%

(vii) If the actual loss in a process is less than the normal loss, the difference is known as:

a. Abnormal Gain
b. Abnormal Loss
c. Normal Gain
d. Normal Loss

(viii) A company makes a product, which passes through a single process. Details of the process for the last period are as follows:
Materials 10,000 kg at 50 paisa per kg
Labour ₹1,000
Production overheads 200% of labour
Normal losses are 10% of input in the process, and without further processing any losses can be sold as scrap for 20 paisa per kg.
The output for the period was 8,400 kg from the process. There was no work in progress at the beginning or end of the period. The value of the abnormal loss for the period is ____________.
a. ₹ 200
b. ₹ 220
c. ₹ 80
d. None of the Above

(ix) Cost Price is not fixed in case of _________.
a. Escalation clause
b. Cost plus contracts
c. De-escalation clause
d. All of the above

(x) In Reconciliation Statements, overheads Under Recovered in cost accounts are ____________.
a. Deducted from financial profit / added to costing profit
b. Added to financial profit / deducted from costing profit.
c. Deducted from financial profit/ deducted from costing profit.
d. Added to financial profit / added to costing profit

(xi) A firm operates an integrated cost and financial accounting system. The accounting entries for indirect wages incurred would be:
a. Debit Wages control account Credit Overhead control account
b. Debit Work in progress account Credit Wages control account
c. Debit Overhead control account Credit Wages control account
d. Debit Wages control account Credit Work in progress account

(xii) 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

(xiii) A company pays royalty to State Government on the basis of production, it is treated as:
a. Direct expenses
b. Factory overheads
c. Direct Material Cost

d. Administration Cost

(xiv) Equivalent production of 1,000 units, 60% complete in all respect, is:
a. 1,000 units
b. 1,600 units
c. 600 units
d. 1,060 units

(xv) 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. ₹30,000
d. ₹20,000

SECTION-B

(Answer any five questions out of seven questions given. Each question carries 14 Marks) [5x14=70]

2. **(a)** The following figures were extracted from the Trial Balance of a company as on 31st December, 2023.

Particulars	Debit Amount (₹)	Credit Amount (₹)
Inventories		
Raw Material	1,40,000	
Work in Progress	2,00,000	
Finished Goods	80,000	
Office Appliances	17,400	
Plant and Machinery	4,60,500	
Buildings	2,00,000	
Sales		7,68,000
Sales Returns	14,000	
Material Purchased	3,20,000	
Freight on materials	16,000	
Purchase Returns		4,800
Direct Labour	1,60,000	
Indirect Labour	18,000	
Factory Supervision	10,000	
Factory repairs and upkeep	14,000	
Heat, Light & Power	65,000	
Rates & Taxes	6,300	
Miscellaneous Factory Expenses	18,700	

Sales Commission	33,600	
Sales Travelling	11,000	
Sales Promotion	22,500	
Distribution Department Salaries and Wages	18,000	
Office Salaries	8,600	
Interest on borrowed funds	2,000	

Further details are given as follows:

Closing inventories are Material ₹1,80,000, Work in Progress ₹1,92,000 and Finished Goods ₹1,15,000.

Accrued expenses are Direct Labour ₹8,000, Indirect Labour ₹1,200 and Interest ₹2,000.

Depreciation should be provided as 5% on Office Appliances, 10% on Machinery and 4% on Buildings.

Heat, light and power are to be distributed in the ratio of 8: 1: 1 among factory, office and distribution respectively.

Rates & Taxes apply 2/3rd to the factory and 1/3rd to office.

Depreciation on building to be distributed in the ratio of 8: 1: 1 among factory, office and distribution respectively.

Illustrate and prepare a Cost Sheet and Condensed Profit & Loss Account for the Year. **[7]**

(b) Two workmen, Vishnu and Shiva, produce the same product using the same material. Their normal wage rate is also the same. Vishnu is paid bonus according to the Rowan System, while Shiva is paid bonus according to Halsey System. The time allowed to make the product is 100 hours. Vishnu takes 60 hours while Shiva takes 80 hours to complete the product. The factory overhead rate is ₹10 per man-hour actually worked. The factory cost for the product for Vishnu is ₹7,280 and for Shiva it is ₹7,600.

You are required to:

a) calculate the normal rate of wages;

b) calculate the cost of materials;

c) prepare a statement comparing the factory cost of the products as made by the two men. **[7]**

3. (a) A manufacturing unit produces two products X and Y. the following information is furnished:

Particulars	Product X	Product Y
Units produced (quantity)	20,000	15,000
Units sold (quantity)	15,000	12,000
Machine Hours utilized	10,000	5,000
Design charges	15,000	18,000
Software development charges	24,000	36,000

Royalty paid on sales ₹54,000 [@ ₹2 per unit sold, for both the products]; Royalty paid on units produced ₹35,000 [@ ₹1 per unit produced, for both the products], Hire charges of equipment used in manufacturing process of Product X only ₹ 5,000, Calculate the amount of direct expenses. **[7]**

(b) Apply the following particulars to pass journal entries in an integral accounting system:

I. Issued materials ₹3,00,000 of which ₹2,80,000 (standard ₹2,40,000) is direct materials.

II. Net wages paid ₹70,000 deductions being ₹12,000 (standard ₹75,000)
III. Gross salaries payable for the period is ₹26,000 (standard ₹25,000). Deductions ₹2,000.
IV. Sales (Credit) ₹8,00,000.
V. Discount allowed ₹5,000. **[7]**

4. (a) In a factory following the Job Costing Method, an abstract from the work in process as at 30th September, was prepared as under.

Job No.	Materials	Direct Labour	Factory Overheads Applied (₹)
115	1,325	400 Hrs ₹ 800	640
118	810	250 hrs ₹ 500	400
120	765	300 hrs ₹ 475	380
	2900	₹ 1,775	1420

Materials used in October were as follows:

Material requisitions No.	Job No.	Cost (₹)
54	118	300
55	118	425
56	118	515
57	120	665
58	121	910
59	124	720
		3,535

A summary at Labour Hours deployed during October is as under

Job No.	No. of hours	
	Shop A	Shop B
115	25	25
118	90	30
120	75	10
121	65	-
124	20	10
	275	75
Indirect Labour:		
Waiting for material	20	10
Machine	10	5
Breakdown		
Idle Time	5	6
Overtime Premium	6	5
	316	101

A shop credit slip was issued in October, which material issued under requisition No. 54 was returned back to stores as being not suitable. A material transfer note issued in October indicated that material issued under requisition No. 55 for Job 118 was directed to Job 124.
The hourly rate in shop A per labour hour is ₹3 while at shop B it is ₹2 per hour. The factory overhead is applied at the same rate as in September: Jobs 115, 118 and 120 were completed in October.
You are asked to calculate the factory cost of the completed jobs and the invoice price of these three jobs. It is practice of the management to put a 10% on the factory cost to cover administration and selling overheads and invoice the job to the customer on a total cost plus 20% basis. **[7]**

(b) A product passes through three processes— A, B and C. 10,000 units at a cost of ₹1.10 were issued to

Process A. The other direct expenses were as follows:

	PROCESS-A	PROCESS-B	PROCESS-C
Sundry materials	1,500	1,500	1,500
Direct labour	4,500	8,000	6,500
Direct expenses	1,000	1,000	1,503

The wastage of process: A was 5% and in process B 4%.

The wastage of process 'A' was sold at ₹0.25 per unit and that of 'B' at ₹0.50 per unit and that of C at ₹1.00.

The overhead charges were 160% of direct labour. The final product was sold at ₹10 per unit fetching a profit of 20% on sales. Prepare the Process Account A, B & C and calculate the percentage of wastage in Process 'C'. **[7]**

5. **(a)** VIBRANT LTD., a manufacturing company, produces one main Product A and two by- products M and N.

For the month of May, 2024, following details are available: Total Cost up to separation point ₹2,20,000.

Product/By-Product	A	M	N
Cost after separation		₹ 35,000	₹ 24,000
No. of units produced	4,000	1,800	3,000
Selling price per unit	₹100	₹40	₹30
Estimated net profit as percentage to sales value		20%	30%
Estimated selling expenses as percentage to sales value	20%	15%	15%

There is no beginning or closing inventories.

Required:

Prepare a statement showing:

(i) Allocation of joint cost; and

(ii) Product wise and overall profitability of the company for May, 2024. **[7]**

(b) The Standard set for material consumption was 100 kg @ ₹4.50 per kg.

In a cost period:

Opening stock was 100 kg @ ₹4.50 per kg.

Purchases made 500kg @ ₹4.30 per kg.

Consumption 110 kg

Calculate: i) Usage ii) Price variance

1) When variance is calculated at point of purchase

2) When variance is calculated at point of issue on FIFO basis

3)When variance is calculated at point of issue on LIFO basis. **[7]**

6. MAXWEL Ltd. produces a single product 'Boost'. The following figures relate to boost for the period 2022 - 2023.

Activity Level	50%	100%
Sales and production (units)	400	800

	₹	₹
Sales	8,00,000	16,00,000
Production costs:		
- Variable	3,20,000	6,40,000
- Fixed	1,60,000	1,60,000
Selling and distribution costs:		
- Variable	1,60,000	3,20,000
- Fixed	2,40,000	2,40,000

The normal level of activity for the year is 800 units. Fixed costs are incurred evenly throughout the year, and actual fixed costs are the same as budgeted. There were no stocks of Boost at the beginning of the year.

In the first quarter, 220 units were produced and 160 units were sold.

Calculate:

(a) What would be the fixed production costs absorbed by Boost if absorption costing is followed?

(b) What would be the under/over-recovery of overheads during the period?

(c) What would be the profit as per absorption costing?

(d) What would be the profit as per marginal costing? **[14]**

7. (a) Prepare a Cash Budget for the three months ending 30th June, 2024 from the information given below:

i.

MONTH	SALES (₹)	MATERIALS (₹)	WAGES (₹)	OVERHEADS (₹)
February	14,000	9,600	3,000	1,700
March	15,000	9,000	3,000	1,900
April	16,000	9,200	3,200	2,000
May	17,000	10,000	3,600	2,200
June	18,000	10,400	4,000	2,300

ii. Credit terms are:

Sales / Debtors: 10% sales are on cash, 50% of the credit sales are collected next month and the balance in the following month.

Creditors: Materials 2 months

Wages 1/4 month

Overheads 1/2 month.

iii. Cash and bank balance on 1st April, 2024 is expected to be ₹6,000.

iv. Other relevant information are:

(A) Plant and machinery will be installed in February 2024 at a cost of ₹96,000. The monthly instalment of ₹2,000 is payable from April onwards.

(B) Dividend @ 5% on preference share capital of ₹2,00,000 will be paid on 1^{st}June.

(C) Advance to be received for sale of vehicles ₹ 9,000 in June.

(D) Dividends from investments amounting to ₹ 1,000 are expected to be received in June. **[7]**

(b) Explain the significance of cost accounting standards. **[7]**

8. (a) Explain the Limitations of cost accounting System? **[4]**

(b) Distinguish between Selling Overheads and Distribution Overheads. **[5]**

(c) Describe the Objective and Functions of Cost Accounting Standard Board (CASB). **[5]**