



INTERMEDIATE EXAMINATION

SET - 1

MODEL ANSWERS

TERM – JUNE 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) Which standards deals with the principles and methods of determining depreciation and amortization cost?
- CAS 9
 - CAS 12
 - CAS 15
 - CAS 16
- (ii) _____ is anything for which a separate measurement of cost is required.
- Cost driver
 - Cost centre
 - Cost unit
 - Cost object
- (iii) Direct Expenses _____ includes imputed cost.
- Shall
 - Shall not
 - Shall be
 - None of these
- (iv) Fixed costs are treated as
- Overhead costs
 - Prime costs
 - Period costs
 - Conversion costs
- (v) Sales budget is a _____.
- expenditure budget
 - functional budget
 - master budget
 - None of these
- (vi) In which of the following situations an abnormal gain in a process occurs:
- When normal loss is equal to actual loss
 - When the actual output is greater than the planned output
 - When actual loss is more than the expected
 - When actual loss is less than the expected loss
- (vii) Absorption means
- Charging of overheads to cost centres
 - Charging of overhead to cost units
 - Charging of overheads to cost centres or cost units
 - None of the above



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- (viii) Primary packing cost is a part of
- Direct material cost
 - Distribution overhead
 - Selling overhead
 - Production cost
- (ix) Equivalent production of 1,000 units, 60% complete in all respect, is:
- 1,000 units
 - 1,600 units
 - 600 units
 - 1,060 units
- (x) When costing loss is ₹ 5,600, administrative overhead under-absorbed being ₹ 600, the loss as per financial accounts should be _____ .
- ₹ 5,000
 - ₹ 5,600
 - ₹ 6,200
 - None of the above
- (xi) Contribution is ₹ 3,00,000 and sales is ₹ 15,00,000. Compute P/V ratio.
- 15%
 - 20%
 - 22%
 - 17.5%
- (xii) What is the labour rate variance if standard hours for 100 units of output are 400 @ ₹2 per hour and actual hours taken are 380 @ ₹ 2.25 per hour?
- ₹ 120 (adverse)
 - ₹ 100 (adverse)
 - ₹ 95 (adverse)
 - ₹ 25 (favourable)
- (xiii) Standard cost of material for a given quantity of output is ₹ 15,000 while the actual cost of material used is ₹ 16,200. The material cost variance is:
- ₹ 1,200 (A)
 - ₹ 16,200 (A)
 - ₹ 15,000 (F)
 - ₹ 31,200 (A)
- (xiv) Job Costing is used in:
- Furniture making
 - Repair shops
 - Printing press
 - All of the above
- (xv) Under Taylor's differential piece rate scheme, if a worker fails to complete the task within the standard time, then he is paid
- 83% of the piece work rate
 - 175% of the piece work rate
 - 67% of the piece work rate
 - 125% of the piece work rate

Answer:

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)	(xiii)	(xiv)	(xv)
d	d	b	c	b	d	b	d	c	c	b	c	a	d	a

**INTERMEDIATE EXAMINATION****SET - 1****MODEL ANSWERS****TERM – JUNE 2024****PAPER – 8****SYLLABUS 2022****COST ACCOUNTING****SECTION-B**

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

2. (a) MNQ LLP submits the following information on 31st March 2024. Based on the given data, illustrate and prepare a statement of cost.

Details	(₹)
Sales for the year	2,75,000
Inventories at the beginning of the year: Finished goods	7,000
Work in Progress	4,000
Purchase of the material for the year	1,10,000
Material inventory: At the beginning of the year	3,000
At the end of the year	4,000
Direct Labour	65,000
Factory overhead: 60% of direct labour cost	
Inventories at the end of the year: Finished goods	8,000
Work in Progress	6,000
Other expenses for year:	
Selling expenses - 10% of sales	
Administrative expense – 5% of sales	

[7]

- (b) Anil Ltd. buys its annual requirement of 36,000 units in six installments. Each unit costs ₹ 1 and the ordering cost is ₹ 25. The inventory carrying cost is estimated at 20% of unit value. Compute the total annual cost of the existing inventory policy. Determine how much money can be saved by using EOQ? [7]

Answer:

- (a)

Details	(₹)	(₹)
Inventory (RM) at the beginning of the year	3,000	
Add: Purchase of RM during the year	1,10,000	
	1,13,000	
Less: Inventory (RM) at the end of the year	(4,000)	
Material consumed		1,09,000
Add: Direct Labour		65,000
Prime Cost		1,74,000
Add: Factory Overhead @ 60% of direct labour		39,000
Works Cost		2,13,000
Adjustment for work in progress		
Opening WIP	4,000	
Less: Closing WIP	(6,000)	(2,000)
		2,11,000
Add: Administrative Overhead @ 5% of Sales (2,75,000)		13,750
Cost of Production		2,24,750
Adjustment for Finished goods		
Opening Stock of Finished Goods	7,000	
Less: Closing stock of Finished Goods	(8,000)	(1,000)
Cost of goods sold		2,23,750
Add: Selling overhead @ 10% of sales (2,75,000)		27,500
Cost of Sales		2,51,250
Profit (Balancing figure)		23,750
Sales		2,75,000



(b)

$EOQ = \sqrt{\frac{2AO}{C}}$	A = Annual requirement = 36,000 units O = Ordering Cost per order = ₹ 25 C = Carrying cost per unit per annum = 1 × 20% = ₹ 0.20
$EOQ = \sqrt{\frac{2 \times 36,000 \times 25}{0.20}} = 3,000 \text{ units}$	

Comparative Cost Statement of Existing Purchase Policy with proposed EOQ Purchase Policy

	Existing Purchase Policy		Proposed EOQ Purchase Policy	
	Ordering Quantity = $\frac{36,000}{6} = 6,000$ units		Policy Ordering Quantity = 3,000 units	
		(₹)		(₹)
Purchase Cost	36,000 × 1	36,000	36,000 × 1	36,000
Ordering Cost	6 × 25	150	12 × 25	300
Carrying Cost		600		300
Total Cost		36,750		36,600

Net Savings = ₹ 36,750 – ₹ 36,600 = ₹ 150.

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. Compute the direct expenses. [7]

(b) Prepare and pass the journal entries for the following transactions in a double entry cost accounting system:

Particulars	Amount (₹)
A) Issue of Material:	
- Direct	5,50,000
- Indirect	1,50,000
B) Allocation of wages and salaries:	
- Direct	2,00,000
- Indirect	40,000
C) Overheads absorbed in jobs:	
- Factory	1,50,000
- Administration	50,000
- Selling	30,000
D) Under / Over absorbed overhead:	
- Factory (Over)	20,000
- Administration (Under)	10,000

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**INTERMEDIATE EXAMINATION****SET - 1****MODEL ANSWERS****TERM – JUNE 2024****PAPER – 8****SYLLABUS 2022****COST ACCOUNTING****Answer:****(a) Computation of Direct Expenses**

Particulars	Product X (₹)	Product Y (₹)
Royalty paid on sales	15,000 × 2 = 30,000	12,000 × 2 = 24,000
Add: Royalty paid on units produced	20,000 × 1 = 20,000	15,000 × 1 = 15,000
Add: Hire charges of equipment used in manufacturing process of Product X only	5,000	---
Add: Design charges	15,000	18,000
Add: Software development charges related to production	24,000	36,000
Direct Expenses	94,000	93,000

Note:

- Royalty on production and royalty on sales are allocated on the basis of units produced and units sold respectively. These are directly identifiable and traceable to the number of units produced and units sold. Hence, this is not an apportionment.
- No adjustments are made related to units held, i.e., closing stock.

(b)**Journal**

Particulars	Dr.	Cr.
	Amount (₹)	Amount (₹)
Work in Progress Control A/c Dr. Factory Overhead Control A/c Dr. To Material Control A/c	5,50,000 1,50,000	7,00,000
Work in Progress Control A/c Dr. Factory Overhead Control A/c Dr. To Wages Control A/c	2,00,000 40,000	2,40,000
Work in Progress Control A/c Dr. To Factory Overhead Control A/c	1,50,000	1,50,000
Finished Goods Control A/c Dr. To Administrative Overhead Control A/c	50,000	50,000
Cost of Sales A/c Dr. To Selling and Distribution Overhead Control A/c	30,000	30,000
Factory Overhead Control A/c Dr. To Costing Profit and Loss A/c	20,000	20,000
Costing Profit and Loss A/c Dr. To Administrative Overhead Control A/c	10,000	10,000

**INTERMEDIATE EXAMINATION****SET - 1****MODEL ANSWERS****TERM – JUNE 2024****PAPER – 8****SYLLABUS 2022****COST ACCOUNTING**

4. (a) A transport service company is running five buses between two towns, which are 50 kilometers apart. Seating capacity of each bus is 50 passengers. The following particulars are obtained from their books for April 2023:

Particulars	Amount (₹)
Wage of drivers, conductors and cleaners	2,40,000
Salaries of office staff	1,00,000
Diesel oil and other oil	3,50,000
Repairs and maintenance	80,000
Taxation, insurance etc.	1,60,000
Depreciation	2,60,000
Interest and other expenses	2,00,000
Total	13,90,000

Actually, passengers carried were 75% of seating capacity. All buses ran on all day of the month. Each bus made one round trip per day. Calculate the cost per passenger kilometer.

[7]

- (b) A contractor has undertaken a construction work at a price of ₹ 5,00,000 and begun the execution of work on 1st January 2023. The following are the particulars of the contract up to 31st December, 2023:

Particulars	Amount (₹)		Amount (₹)
Machinery	30,000	Overheads	8,252
Materials	1,70,698	Materials returned	1,098
Wages	1,48,750	Work certified	3,90,000
Direct expenses	6,334	Cash received	3,60,000
Uncertified work	9,000	Materials on 31.12.2022	3,766
Wages outstanding	5,380		
Value of Machinery on 31.12.2022	22,000		

It was decided that the profit made on the contract in the year should be arrived at by deducting the cost of work certified from the total value of the architect's certificate, that 1/3rd of the profit so arrived at should be regarded as a provision against contingencies and that such provision should be increased by taking to the credit of Profit & Loss Account only such portion of the 2/3rd profit, as the cash received to the work certified. Prepare the contract account for the year and show the amount taken to the credit of the Profit and Loss account.

[7]

Answer:

- (a) Operating Cost Statement for the month of April 2023

Particulars	Amounts (₹)	Amounts (₹)
A. Standing Charges		
Wages of drivers, conductors and cleaners.	2,40,000	
Salaries of office staff	1,00,000	
Taxation, insurance etc.	1,60,000	
Interest and other expenses	2,00,000	
Depreciation	2,60,000	

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Total standing charges		9,60,000
B. Running and Maintenance Charges		
Repairs and maintenance	80,000	
Diesel oil and other oil	3,50,000	
Total running and maintenance charges		4,30,000
C. Total cost [A+B]		13,90,000
D. Cost per passenger kilometre* ₹13,90,000/5,62,500 passenger kilometers		2.471

Working:

* Passenger kilometers are computed as below:

- = Number of buses × Distance in one round trip × Seating capacity available × Percentage of seating capacity actually used × Number of days in a month × No. of trips
- = 5 buses × 50 kilometers × 2 × 50 passengers × 75% × 30 days
- = 5,62,500 passenger-kms

(b)**Contract Account**

Dr.		Cr.	
Particulars	(₹)	Particulars	(₹)
To Depreciation on Machinery A/c [WN-1]	8,000	By Materials (Returned) A/c	1,098
		By Materials at site c/d	3,766
To Materials A/c	1,70,698	By Cost of Construction c/d (Bal. fig.)	3,42,550
To Wages A/c	1,48,750		
To Outstanding Wages A/c	5,380		
To Direct Expenses A/c	6,334		
To Overheads A/c	8,252		
	3,47,414		3,47,414
To Cost of Construction b/d	3,42,550	By Work in Progress A/c	
To Notional Profit c/d (Bal. fig.)	56,450	- Value of work certified	3,90,000
		- Cost of uncertified work	9,000
	3,99,000		3,99,000
To Profit & Loss A/c [WN-2]	34,738	By Notional Profit b/d	56,450
To Work in progress A/c			
- Provision for Contingencies (Bal. fig.)	21,712		
	56,450		56,450

Working Notes

- Depreciation on Machinery = ₹30,000 - ₹22,000 = ₹8,000
- Since, degree of completion is above 50% so amount transferred to Profit & Loss A/c

$$= \frac{2}{3} \times 56,450 \times \frac{3,60,000}{3,90,000} = ₹34,738.$$

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5. (a) In manufacturing the main Product 'A', a company processes the resulting waste material into two By-Products B and C. Using reversal cost method of By-Products, prepare a comparative profit and loss statement of the three 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) Using the following information calculate each of three labour variance for each department:

	Department X	Department Y
Gross wages direct	₹ 28,080	₹ 19,370
Standard hours produced	8,640	6,015
Standard rate per hour	₹ 3	₹ 3.40
Actual hours worked	8,200	6,395

[7]

Answer:

- (a) Allocation of Joint Cost to Product B and Product C

	Product B (₹)	Product C (₹)
Sales	16,000	24,000
Less: Profit	$20\% \times 16,000 = 3,200$	$30\% \times 24,000 = 7,200$
Total Cost	12,800	16,800
Less: Selling Expenses	$20\% \times 16,000 = 3,200$	$20\% \times 24,000 = 4,800$
	9,600	12,000
Less: Cost after Separation	4,800	7,200
Share in Joint Cost	4,800	4,800

∴ Share in Joint Cost of Product A = $68,000 - (4,800 + 4,800) = ₹ 58,400$

Comparative Profit and Loss Statement

Particulars	Product A (₹)	Product B (₹)	Product C (₹)	Total (₹)
Sales (A)	1,64,000	16,000	24,000	2,04,000
Joint Cost	58,400	4,800	4,800	68,000
Cost After Separation	-	4,800	7,200	12,000
Selling Expenses	32,800	3,200	4,800	40,800
Total Cost (B)	91,200	12,800	16,800	1,20,800
Profit (A – B)	72,800	3,200	7,200	83,200

Selling Expense of Product A = $20\% \times 1,64,000 = ₹ 32,800$.



(b) Department X:

SH – Standard Hours for Actual Output = 8,640 hours

SR – Standard Rate per hour = ₹ 3 per hour

AH – Actual Hours Paid for = 8,200

AR – Actual Rate per hour = $\frac{₹ 28,080}{8,200 \text{ hours}}$

$$\begin{aligned} \text{(i) Labour Cost Variance} &= \text{SH} \times \text{SR} - \text{AH} \times \text{AR} \\ &= ₹8,640 \times 3 - 8,200 \times \frac{28,080}{8,200} \\ &= ₹25,920 - 28,080 \\ &= ₹ 2,160 \text{ (A)} \end{aligned}$$

$$\begin{aligned} \text{(ii) Labour Rate Variance} &= (\text{SR} - \text{AR}) \times \text{AH} = \text{SR} \times \text{AH} - \text{AR} \times \text{AH} \\ &= (3 \times 8,200) - \left(\frac{28,080}{8,200} \times 8,200 \right) \\ &= ₹24,600 - ₹28,080 \\ &= ₹ 3,480 \text{ (A)} \end{aligned}$$

$$\begin{aligned} \text{(iii) Labour Efficiency Variance} &= (\text{SH} - \text{AH}) \times \text{SR} \\ &= (8,640 - 8,200) \times 3 \\ &= ₹ 1,320 \text{ (F)} \end{aligned}$$

Department Y:

SH = 6,015 hours

SR = ₹ 3.40 per hour

AH = 6,395 hours

AR = $\frac{₹19,370}{6,395 \text{ hours}}$

$$\begin{aligned} \text{(i) Labour Cost Variance} &= \text{SH} \times \text{SR} - \text{AH} \times \text{AR} \\ &= (6,015 \times ₹3.40) - \left(6,395 \times \frac{19,370}{6,395} \right) \\ &= ₹ 1,081 \text{ (F)} \end{aligned}$$

$$\begin{aligned} \text{(ii) Labour Rate Variance} &= (\text{SR} - \text{AR}) \times \text{AH} = \text{SR} \times \text{AH} - \text{AR} \times \text{AH} \\ &= (₹3.40 \times 6,395) - \left(\frac{19,370}{6,395} \times 6,395 \right) \\ &= ₹ 2,373 \text{ (F)} \end{aligned}$$

$$\begin{aligned} \text{(iii) Labour Efficiency Variance} &= (\text{SH} - \text{AH}) \times \text{SR} \\ &= (6,015 - 6,395) \times ₹3.40 \\ &= ₹ 1,292 \text{ (A)} \end{aligned}$$



6. S Ltd. furnishes you the following information relating to the half year ended 30th June, 2023:

Fixed Expenses	₹ 45,000
Sales Value	₹ 1,50,000
Profit	₹ 30,000

During the second half of the year the company has projected a loss of ₹ 10,000. Calculate:

- The Break Even Sales and Margin of Safety for the six months ending 30th June, 2023.
- Expected sales volume for the second half of the year assuming that the P/V Ratio and Fixed expenses remain constant in the second half year also.
- The Break Even Sales and Margin of Safety for the whole year 2023. [14]

Answer:

$$(i) \quad P/V \text{ Ratio} = \frac{\text{Contribution}}{\text{Sales}} \times 100 = \frac{\text{Fixed Cost} + \text{Profit}}{\text{Sales}} \times 100 = \frac{45,000 + 30,000}{1,50,000} \times 100 = 50\%$$

$$\text{Break Even Sales for the six months ending 30}^{\text{th}} \text{ June, 2023} = \frac{\text{Fixed Cost}}{P/V \text{ Ratio}} = \frac{45,000}{50\%} = ₹ 90,000$$

$$\begin{aligned} \text{Margin of Safety for the six months ending 30}^{\text{th}} \text{ June, 2023} &= \text{Sales} - \text{Break Even Sales} \\ &= 1,50,000 - 90,000 \\ &= ₹ 60,000. \end{aligned}$$

- Income Statement for the second half of the year 2023

Particulars	Workings	(₹)
Sales	$\text{Sales} = \frac{\text{Contribution}}{P/V \text{ Ratio}} = \frac{35,000}{50\%}$	70,000
Less: Variable Cost	Bal. fig. or $\text{Sales} \times (1 - P/V \text{ Ratio})$	35,000
Contribution	$\text{Fixed Cost} - \text{Loss} = 45,000 - 10,000$	35,000
Less: Fixed Cost		45,000
Loss		10,000

Step 1 – Calculation of Contribution = Fixed Cost – Loss = 45,000 – 10,000 = ₹ 35,000

Step 2 – Calculation of Sales

Step 3 – Calculation of Variable Cost

$$(iii) \quad \text{Break Even Sales for the year 2023} = \frac{\text{Fixed Cost for the year}}{P/V \text{ Ratio}} = \frac{45,000 + 45,000}{50\%} = ₹ 1,80,000$$

$$\begin{aligned} \text{Margin of Safety for the year 2023} &= \text{Sales for year} - \text{Break Even Sales} \\ &= (1,50,000 + 70,000) - 1,80,000 \\ &= ₹ 40,000 \end{aligned}$$



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7. (a) The monthly budgets for manufacturing overheads of a concern for two levels of activity were as follows:

Capacity	60%	100%
Budgeted Production (units)	600	1,000
	(₹)	(₹)
Wages	1,200	2,000
Consumable stores	900	1,500
Maintenance	1,100	1,500
Power and fuel	1,600	2,000
Depreciation	4,000	4,000
Insurance	1,000	1,000
Total Cost	9,800	12,000

You are required to:

- Inspect which of the items are fixed, variable and semi-variable.
- Prepare a budget for 80% capacity, and
- Compute total cost, both fixed and variable per unit of output at 60%, 80% and 100% capacity.

[7]

- (b) Explain the scope and objective of Cost Accounting Standard (CAS).

[7]

Answer:

- (a) (i) Statement showing segregation of the items in Fixed, Variable and Semi-Variable

Items of Cost	Nature of Cost	Variable Cost p.u	Fixed
Wages	Variable	$\frac{1,200}{600} = ₹ 2 \text{ p.u.}$	
Consumable stores	Variable	$\frac{900}{600} = ₹ 1.50 \text{ p.u.}$	
Maintenance	Semi-Variable	$= \frac{\text{Change in total Cost}}{\text{Change in Output}}$ $= \frac{1,500 - 1,100}{1,000 - 600} = \frac{400}{400} = ₹ 1 \text{ p.u.}$	Total Cost – Variable Cost $= 1,100 - (600 \times 1)$ $= ₹ 500$
Power and fuel	Semi-Variable	$= \frac{\text{Change in total Cost}}{\text{Change in Output}}$ $= \frac{2,000 - 1,600}{1,000 - 600} = \frac{400}{400} = ₹ 1 \text{ p.u.}$	Total Cost – Variable Cost $= 1,600 - (600 \times 1)$ $= ₹ 1,000$
Depreciation	Fixed		₹ 4,000
Insurance	Fixed		₹ 1,000



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(ii) Budget at 80% Capacity

Production	1,000 × 80% = 800 units (₹)
Wages	800 × 2 = 1,600
Consumable stores	800 × 1.50 = 1,200
Maintenance	800 × 1 + 500 = 1,300
Power and fuel	800 × 1 + 1,000 = 1,800
Depreciation	4,000
Insurance	1,000
Total Cost	10,900

(iii)

Capacity	60%		80%		100%	
Production	600 units		800 units		1000 units	
	p.u. (₹)	Total (₹)	p.u. (₹)	Total (₹)	p.u. (₹)	Total (₹)
Variable Costs						
Wages	2.00	1,200	2.00	1,600	2.00	2,000
Consumable stores	1.50	900	1.50	1,200	1.50	1,500
Maintenance	1.00	600	1.00	800	1.00	1,000
Power and Fuel	1.00	600	1.00	800	1.00	1,000
Total Variable Costs	5.50	3,300	5.50	4,400	5.50	5,500
Fixed Costs						
Maintenance		500		500		500
Power and Fuel		1,000		1,000		1,000
Depreciation		4,000		4,000		4,000
Insurance		1,000		1,000		1,000
Total Fixed Costs	<u>6,500</u>	6,500	<u>6,500</u>	6,500	<u>6,500</u>	6,500
	600		800		1,000	
	= 10.83		= 8.125		= 6.50	
Total Costs	16.33	9,800	13.625	10,900	12.00	12,000

(b) The scope and objective of Cost Accounting Standard (CAS): The Cost Accounting Standards:

- (i) provide a structured approach to measurement of costs in manufacturing process or service industry;
- (ii) integrate, harmonize, and standardize cost accounting principles and practices;
- (iii) provide guidance to users to achieve uniformity and consistency in classification, measurement, assignment, and allocation of costs to products and services;
- (iv) arrive at the basis of computing the cost of product, activity, or service where required by legal or regulatory bodies;



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- (v) enable practicing members to make use of Cost Accounting Standards in the attestation of General Purpose Cost statements; and
- (vi) assist in clear and uniform understanding of all the related issues by various user organizations, Government Bodies, regulators, research agencies, and academic institutions.

8. (a) **Distinguish between Financial and Cost Accounting.** [4]
(b) **Identify and name any five CAS along with their numbers.** [5]
(c) **Analyse the Time Rate, Piece Rate and Differential Piece Rate Systems with regard to labour.** [5]

Answer:

- (a) Difference between Financial and Cost Accounting:

Basis of Comparison	Financial Accounting	Cost Accounting
Purpose	It is prepared for providing information about the results of the business activities as a whole for a particular period to the users.	The main purpose of Cost Accounting is to provide information to the management for the proper planning, control and decision making.
Need	Financial Accounts are maintained as per the requirements of Companies Act and Income Tax Act.	Cost accounts are maintained to meet the requirement of the Management.
Recording	Transactions are classified, recorded and analysed subjectively.	In cost accounting, transactions are classified, recorded and analysed objectively according to the purpose for which costs are incurred.
Analysis of profit	Financial accounting reveals the profit of a business as a whole.	Cost Accounting shows the profit made on each product, job or process.

- (b) Name of five CAS along with their numbers:

CAS 1: Classification of Cost

CAS 2: Capacity Determination

CAS 3: Production and Operation Overheads

CAS 4: Cost of Production for Captive Consumption

CAS 5: Average (Equalized) Cost of Transportation

- (c) A. Time Rate System:

- i. Time Rate at Ordinary Levels: Under this method, rate of payment of wages per hour is fixed and payment is made accordingly on the basis of time worked irrespective of the output produced.
- ii. Time Rate at High Wage Levels: This system is a variation of time rate at ordinary levels in the sense that in this system, workers are paid at time rate but the rate is much higher than that is normally paid in the industry or area.
- iii. Graduated Time Rate: Under this method payment is made at time rate, which varies according to personal qualities of the workers.



INTERMEDIATE EXAMINATION

SET - 1

MODEL ANSWERS

TERM – JUNE 2024

PAPER – 8

SYLLABUS 2022

COST ACCOUNTING

- B. Piece Rate System: This method is also called as payment by results where the workers are paid as per the production achieved by them. Thus, if a worker produces higher output, he can earn higher wages. Under the piece rate system of wage payment, the workers receive a flat rate of wages either for time worked or for units manufactured.
- C. Differential Piece Rate System: Under these methods, the rate per standard hour of production is increased as the output level rises. The increase in rates may be proportionate to the increase in output or proportionately more or less than that as may be decided. In other words, a worker is paid higher wages for higher productivity as an incentive.