

**INTERMEDIATE EXAMINATION****SET 1****MODEL QUESTION PAPER****TERM – DECEMBER 2025****PAPER – 8****SYLLABUS 2022****COST ACCOUNTING****Time Allowed: 3 Hour****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 of the following best describes the difference between cost control and cost reduction?
- a) Cost control is preventive; cost reduction is corrective
 - b) Cost control is corrective; cost reduction is preventive
 - c) Both are identical
 - d) Cost control focuses on increasing sales
- ii) A customer has been ordering 90,000 special design metal columns at the rate of ₹18,000 per order during the past years. The production cost comprises ₹ 120 for material, ₹ 60 for labour and ₹ 20 for fixed overheads. It costs ₹ 1,500 to set up for one run of 18,000 column and inventory carrying cost is 15% since this customer may buy at least 5,000 columns this year, the company would like to avoid making five different production runs. Find the most economic production run.
- a) 2000 columns
 - b) 3000 columns
 - c) 5000 columns
 - d) 1000 columns
- iii) During May 2025, there were 21 working days of 8 hours per day. The workforce consists of 10 employees, who all do the same work. Due to problems in the production system and a machine breakdown, 240 hours were recorded as idle time during the month. During May, the workforce produced 5,400 units of output. The expected time per unit of output is 15 minutes (= 0.25 hours). Calculate the production volume ratio.
- a) 93.75%
 - b) 85.71%
 - c) 89.73%
 - d) 80.36%
- iv) Maximum Possible Productive Capacity of a plant when no operating time is lost, it is:
- a) Normal Capacity
 - b) Practical Capacity
 - c) Theoretical Capacity
 - d) Capacity based on Sales Expectancy

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- v) Which one of the following CASs deals with the principles and methods of determining joint cost?
- a) CAS-4 (Revised 2018)
 - b) CAS-8 (Limited Revision 2017)
 - c) CAS-15
 - d) CAS-19
- vi) Under the Non- Integrated Accounting System –
- a) Same ledger is maintained for Cost and financial Accounts by Accountants
 - b) Separate ledger are maintained for Cost and Financial Accounts
 - c) All transactions relating to incomes, Expenditures, Assets and Liabilities are completely recorded
 - d) Product-wise or department wise information is not maintained
- vii) In Reconciliation Statement, Closing Stock undervalued in Financial Accounts is:
- a) Added to financial profit
 - b) Deducted from financial profit
 - c) Ignored
 - d) Added to costing profit
- viii) In a process 5000 units are introduced during a period. 5% input is normal loss. Closing work-in-progress 60% complete is 625 units. 4125 completed units are transferred to next process. Equivalent production for the period is:
- a) 4000 units
 - b) 4500 units
 - c) 4600 units
 - d) 4750 units
- ix) Job Costing is used in:
- a) Furniture making
 - b) Repair shops
 - c) Printing press
 - d) All of the above
- x) Composite cost unit for a hospital is:
- a) Per day
 - b) Per bed
 - c) Per patient day
 - d) Per patient

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- xi)** Contribution is ₹ 3,00,000 and sales is ₹ 15,00,000. Compute P/V ratio.
- a) 15%
 - b) 20%
 - c) 22%
 - d) 17.5%
- xii)** If sales are ₹ 90,000 and variable cost to sales is 75%, contribution is:
- a) ₹ 21,500
 - b) ₹ 22,500
 - c) ₹ 23,500
 - d) ₹ 67,500
- xiii)** In the year 2023-24, X & Co. used 2,820 kg of material at a total standard cost of 11,562. The material usage variance was 123 (Favourable). In the above case, Standard Weight of Material (SQ) for the period is _____.
- a) 2,900 kg.
 - b) 2,648 kg.
 - c) 3,048 kg.
 - d) 2,850 kg.
- xiv)** _____ is the first step of budgetary system and all other budgets depends on it.
- a) Cost budget
 - b) Sales budget
 - c) Production budget
 - d) None of the above
- xv)** _____ is also known as subsidiary budgets.
- a) Master budget
 - b) Functional budget
 - c) Cost budget
 - d) None of the above



Section – B

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

[5 x 14 = 70]

2. (a) An advertising agency has received an enquiry for which you are supposed to submit the quotation. 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 service of 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 40% of direct cost, while the Selling & Distribution Overheads are likely to be 25% on Production Cost. The agency expects a profit of 20% on the quoted price. The agency works 25 days in a month and 6 hours a day. Illustrate a detailed Statement of Profit showing the Quotation Price for the job, along with suitable working notes. [7]

- (b) From the details given below, calculate:

i. EOQ

ii. Re-ordering Level

iii. Maximum Level

iv. Minimum Level

Re-ordering quantity is to be calculated on the basis of following information:

a. Cost of placing a purchase order is ₹ 20

b. Number of units to be purchased during the year 5,000

c. Purchase price per unit inclusive of transportation cost is ₹ 50

d. Annual cost of storage per unit is ₹ 5

e. Details of lead time: Average 10 days, Maximum 15 days, Minimum 6 days.
For emergency purchases 4 days

f. Rate of consumption: Average: 15 units per day
Maximum: 20 units per day [7]

3. (a) The following particulars relate to a processing machine treating a typical material. You are required to calculate the machine hour rate.

The cost of the machine ₹ 10,000

Estimated life 10 years

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Scrap value	₹ 1,000
Working time (50 weeks of 44 hours each)	2,200 hours
Machine maintenance per annum	200 hours
Setting up time estimated @ 5% of total productive time	
Electricity is 16 units per hour @ 10 paise per unit.	
Chemical required weekly	₹ 20
Maintenance cost per year	₹ 1,200
Two attendants control the operations of the machine together with 6 other machines, their combined weekly wages are ₹ 140. Departmental overheads allocated to this machine per annum ₹ 2,000.	[7]

(b) During a particular year, the auditors certified the financial accounts, showing profit of ₹ 1,68,000 whereas the same, as per costing books was coming out to be ₹ 2,40,000. Given the following information you are asked to prepare a Reconciliation Statement showing the reasons for the gap.

Trading and Profit & Loss Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock A/c	8,20,000	By Sales A/c	34,65,000
To Purchases A/c	24,72,000	By Closing stock A/c	7,50,000
To Direct wages A/c	2,30,000		
To Factory overheads A/c	2,10,000		
To Gross Profit c/d	4,83,000		
	42,15,000		42,15,000
To Administration Expenses A/c	95,000	By Gross Profit b/d	4,83,000
To Selling Expenses A/c	2,25,000	By Sundry Income A/c	5,000
To Net Profit	1,68,000		
	4,88,000		4,88,000

The costing records show:

- Book value of closing stock ₹ 7,80,000.
- Factory overheads have been absorbed to the extent of ₹ 1,89,800.
- Sundry income is not considered.
- Total absorption of direct wages ₹ 2,46,000.
- Administration expense are covered at 3% of selling price.
- Selling prices include 5% for selling expenses.

[7]

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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 2025.

Particulars	Amounts ₹
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 kilo meter. [7]

- (b) NIRVANA LTD. undertook a contract for ₹50,00,000 on 1st April, 2024. On 31st March, 2025 when the accounts of the company were closed, the following details about the contract were gathered:

Particulars	Amount (₹)
Materials purchased	10,00,000
Wages paid	4,50,000
General expenses	1,00,000
Plant purchased	5,00,000
Materials on hand on 31.03.2025	2,50,000
Wages accrued on 31.03.2025	50,000
Work certified	20,00,000
Cash received	15,00,000
Work uncertified	1,50,000
Depreciation of plant	50,000

The above contract contained an escalation 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 price of materials and wage rates increased by 25%. The value of work certified does not take into account the effect of the above clause.

Required:

Prepare Contract Account of the company as on 31st March, 2025. [7]



5. (a) The product of a manufacturing unit passes through two distinct processes. From the past experience the incidence of wastage is ascertained as under:

Process A 2%

Process B 10%

In each case the percentage of wastage is computed on the number of units entering the process concerned. The sales realisation of wastage in Process A and Process B are ₹ 25 per 100 units and ₹ 50 per 100 units respectively.

The following information is obtained for the month of April, 2025; 40,000 units of crude material were introduced in Process A at a cost of ₹ 16,000.

Particulars	Process A	Process B
	Amount (₹)	Amount (₹)
Other Materials	16,000	5,000
Direct Labour	9,000	8,000
Direct Expenses	8,200	1,500
	Units	Units
Output	39,000	36,500
Finished Product Stock:		
April 1	6,000	5,000
April 30	5,000	8,000
Value of stock per unit on April 1st	₹ 1.20	₹ 1.60

Stocks are valued and transferred to subsequent process at weighted average costs. Prepare respective Process Accounts and Stock Accounts. [7]

- (b) The standard cost of a certain chemical mixture is as under:

40% of Material A at ₹ 20 per kg. 60% of Material B at ₹ 30 per kg. A standard loss of 10% is expected in production. The following actual cost data is given for the period:

180 kg material A at a cost of ₹ 18 per kg

220 kg material B at a cost of ₹ 34 per kg

The weight produced is 360 kg.

Calculate and present:

- Material Cost Variance
- Material Price Variance
- Material Usage Variance
- Material Mix Variance
- Material Yield Variance

[7]

6. (a) The sports material manufacturing company budgeted the following data for the coming year:

	Amount (₹)
Sales (1,00,000 units)	1,00,000
Variable cost	40,000
Fixed cost	50,000

Calculate:

(a) P/V Ratio, BEP and Margin of Safety

(b) Evaluate the effect of:

- 20% increase in physical sales volume



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- (ii) 5% decrease in variable costs
(iii) 10% increase in fixed costs
(iv) ₹ 5,000 variable cost decrease accompanied by ₹ 15,000 increase in fixed costs. [7]

(b) The following particulars are extracted from the records of a company:

Particular		Per Unit	
		Product A	Product B
Sales	₹	100	120
Consumption of Material		2 kg	3 kg
Material cost	₹	10	15
Direct wages cost	₹	15	10
Direct expenses	₹	5	6
Machine hours used		3 hours	2 hours
Overheads expenses			
Fixed	₹	5	10
Variable	₹	15	20
Direct wages per hour is ₹ 5			

- i. Comment on profitability of each product (both use the same raw material) when:
- Total sales potential in units is limited;
 - Total sales potential in value is limited;
 - Raw material is in short supply;
 - Production capacity (in terms of machine hours) is the limiting factor.
- ii. Assuming raw material as the key factor, availability of which is 10,000 kgs and each product cannot be sold more than 3,500 units, prepare the product mix which will yield the maximum profit. [7]

7. (a) A factory engaged in manufacturing plastic toys is working at 40% capacity and produces 10,000 toys per month. The present cost break up for one toy is as under:

Material : ₹ 10
Labour : ₹ 3
Overheads : ₹ 5 [60% fixed]
The selling price is ₹ 20 per toy.

If it is decided to work the factory at 50% capacity, the selling price falls by 3%, at 90% capacity, the selling price falls by 5% accompanied by a similar fall in the price of material. You are required to prepare a statement showing the profits/losses at 40%, 50% and 90% capacity utilizations. [7]

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

8. Short Questions:

- (a) Distinguish between Financial Accounting and Cost Accounting. [4]
(b) The rising labour turnover presents a dual challenge, adversely affecting both workforce productivity and leading to increased costs. Discuss the costs associated with labour turnover. [5]
(c) Discuss the advantages of Job Costing. [5]