INTERMEDIATE EXAMINATION **SET - 1**

MODEL QUESTION **TERM – JUNE 2025**

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 × 2 = 30]**

i. If fixed manufacturing costs are ₹50,000 and the number of units produced is 5,000, what is the fixed cost per unit?

a. ₹10
b. ₹5
c. ₹50
d. ₹0.1

ii. _______ is a method of dealing with overheads which involves spreading common costs over cost centers on the basis of benefit received.

a. overhead absorption
b. overhead apportionment
c. overhead allocation
d. overhead analysis

iii. Standard price of material per kg ₹20, standards consumption per unit of production is 5 kg. Standard material cost for producing 100 units is

a. ₹ 20,000
b. ₹ 12,000
c. ₹ 8,000
d. ₹ 10,000

iv. 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

v. What defines an integrated accounting system?

a. Separation of cost and financial records
b. Streamlining reconciliation
c. Sole reliance on financial principles
d. Consolidation of cost and financial information

vi. A company has set up a laboratory for testing of products for compliance with standards. Salary of this laboratory stuffs are part of:
   a. Direct expenses
   b. Quality control cost
   c. Works overheads
   d. Research and development cost

vii. CAS 9 specifically deals with:
   a. Employee Cost
   b. Packing Material Cost
   c. Direct Expenses
   d. Repairs and Maintenance Cost

viii. In which of the following methods of pricing, costs lag behind the current economic values?
   a. Replacement price method
   b. Last in first out price method
   c. First in first out price method
   d. Weighted average price method

ix. Which of the following is deducted from the total cost to calculate the net profit?
   a. Selling Expenses
   b. Opening Stock
   c. Direct Materials
   d. Indirect Labour

x. What type of cost is incurred to support multiple cost objects but cannot be directly traced to any specific one?
   a. Direct Cost
   b. Indirect Cost
   c. Variable Cost
   d. Fixed Cost

xi. A company operates a job costing system. Job number 6789 will require ₹345 of direct materials and ₹210 of direct labour, which is paid ₹14 per hour. Production overheads are absorbed at the rate of ₹30 per direct labour hour and non-production overheads are absorbed at the rate of 40% of prime cost. Required What is the total expected cost of the job?
   a. ₹ 7,221
   b. ₹ 1,272
   c. ₹ 2,127
   d. ₹ 1,227

xii. The budget that is prepared first of all is _________.

a. Master budget
b. Sales budget assuming that it is the key factor
c. Cash Budget
d. Capital expenditure budget

xiii. 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

xiv. Which section of the Companies Act, 2013, deals with the adoption and adherence to Cost Accounting Standards (CAS)?

a. Section 135
b. Section 148
c. Section 170
d. Section 184

xv. When a company wants to prepare a factory overhead budget in which the estimated costs are directly derived from the estimates of activity levels, which of the following budget should be prepared by the company?

a. Flexible budget
b. Fixed budget
c. Master budget
d. R & D budget

SECTION - B

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

[5 × 14 = 70]

2. (a) PR Ltd manufactures and sells a typical brand of Tiffin Boxes under its on brand name. The installed capacity of the plant is 1,20,000 units per year distributable evenly over each month of calendar year. The Cost Accountant of the company has informed the following cost structure of the product, which is as follows:

Raw Material ₹ 20 per unit.
Direct Labour ₹ 12 per unit.
Direct Expenses ₹ 2 per unit
Variable Overheads ₹ 16 per unit
Fixed Overheads ₹ 3,00,000.

Semi-variable Overheads are as follows:

₹ 7,500 per month upto 50% capacity and additional ₹2,500 per month for every additional 25% capacity utilization or part thereof.

The plant was operating at 50% capacity during the first seven months of the calendar year 2025, at 100% capacity in the remaining months of the year.

The selling price for the period from 1st January, 2025 to 31st July, 2025 was fixed at ₹69 per unit. The firm has been monitoring the profitability and revising the selling price to meet its annual profit target of ₹8,00,000. Identify the selling price per unit for the period from 1st August, 2025 to 31st December, 2025. Illustrate the cost sheet clearly showing the total and per unit cost, as well as the profit for the period.

1. From 1st January to 31st July, 2025.
2. From 1st August to 31st December, 2025. [7]

(b) ZION LTD uses three types of materials A, B and C for production of Product-P for which the following data apply:

Raw Material	Usage per unit of Product (kgs)	Reorder quantity(kgs)	Price per Kg (₹)	Delivery period (in weeks)			Reorder level (kgs)	Minimum level (kgs)
				Minimum	Average	Maximum		
A	10	10000	0.10	1	2	3	8000	?
B	4	5000	0.30	3	4	5	4750	1550
C	6	10000	0.15	2	3	4	?	2000

Weekly production varies from 175 to 225 units, averaging 200 units of the said product.

Calculate the following quantities?

(i) Minimum stock of A,

(ii) Maximum stock of B,

(iii) Re-order level of C,

(iv) Average stock level of A. [7]

3. (a) DOZIN Ltd. manufactures a single product. It recovers factory overheads at a pre-determined rate of ₹20 per man day.

During the year 2024-25, the total factory overheads incurred and the man-days actually worked were ₹35.50 lakhs and 1.50 lakh days respectively. Out of the amount of ₹35.50 lakhs, ₹2.00 lakhs were in respect of wages for strike period and ₹1.00 lakh was in respect of expenses of previous year booked in this current year. During the period, 50000 units were sold. At the end of the period, 12000 completed units were held in stock but there was no opening stock of finished goods. Similarly, there was no stock of uncompleted units at the beginning of the period but at the end of the period there were 20000 uncompleted units which may be treated as 65% complete in all respects.

On investigation, it was found that 40% of the unabsorbed overheads were due to factory inefficiency and the rest were attributable to increase in the cost of indirect materials and indirect labour.

Required:

(i) Calculate the amount of unabsorbed overheads during the year 2024-25.

(ii) Analyze the accounting treatment of unabsorbed overheads in cost Accounts. [7]

(b) The following information is available from the Financial Books of SONT Ltd. newly established company for the year ended 31st March 2025,

(Amount in ₹)

Direct Material Consumption	50,00,000
Direct Wages	30,00,000
Factory Overhead	16,00,000
Administrative Overhead	7,00,000
Selling and Distribution Overhead	9,60,000
Bad Debts	80,000
Preliminary Expenses written off	40,000
Legal Charges	10,000
Dividends Received.	1,00,000
Interest Received on Deposits	20,000
Sales (120000 units)	1,20,00,000
Closing Stock:	
Finished Goods (4000 units)	3,20,000
Work-in-progress	2,40,000
Profit (Net) for the year 2024-25	12,90,000

The cost accounts for the same period reveal that the direct material consumption was ₹56,00,000. Factory overhead is recovered at 20% on prime cost.

Administration overhead is recovered at ₹6 per unit of production. Selling and distribution overheads are recovered at ₹8 per unit sold

Required:

(i) Prepare the Profit and Loss Accounts both as per financial records and as per cost records.

(ii) Reconcile the profits as per the two records. [7]

4. (a) HOTEL IREVNA INN, has a capacity of 200 single rooms and 40 double rooms. The average occupancy of both single and double rooms is expected to be 80% throughout the year of 365 days. The rent for double room has been fixed at 125% of the rent of a single room. The costs are as under:

Variable Costs :	Single Rooms	₹ 110 each per day
	Double Rooms	₹ 175 each per day
Fixed Costs:	Single Rooms	₹ 60 each per day
	Double Rooms	₹ 125 each per day

Required:

Calculate the rent chargeable for each single room and double room per day in such a way that the hotel earns a margin of safety of 20% on rent of rooms. [7]

(b) OMEGA LTD undertook a contract for the construction of a building at a contract price of ₹ 45,00,000. During the first year, the following amounts were spent against which a sum of ₹ 16,87,500 (representing 90% of the work certified) was received by the contractor:

	₹
Materials used	7,87,500
Wages paid to the workers	4,50,000
Overhead expenses	1,12,500

During the second year, the contractor spent the following amounts:

	₹
Materials used	11,25,000
Wages paid to the workers	9,00,000
Overhead expenses	2,25,000

In the second year, the contract was completed and a sum of ₹26,25,000 was received by the contractor.

Prepare the Contract Account and the Contractee Account for both the years and calculate the profits. [7]

5. (a) "Super Bite" is a leading product in the confectionery market which is obtained after it has gone through three distinct processes - X, Y and Z. The following information is obtained from cost records of Super (India) Ltd. for the month of July, 2024:

Particulars	Process X	Process Y	Process Z
Input of raw materials @₹30 per unit (units)	1,000	-	-
Other materials (₹)	26,000	19,800	29,620
Direct wages (₹)	20,000	30,000	40,000
Normal loss of input	5%	10%	15%
Output (units)	950	840	750
Sale of scrap per unit (2)	20	40	50

Total overheads are ₹90,000 which are recovered at 100% of wages.

Required:

Prepare different Process Accounts of the firm for July 2024. [7]

(b) ANKRITI LTD. manufactures product X and product Y during the year ending on 31st March, 2025. It is expected to sell 7500 kg of product X and 37500 kg of product Y @ ₹ 60 and ₹ 32 per kg respectively.

The direct materials A, B and C are mixed in the proportion of 4:4:2 in the manufacture of Product X and in the proportion of 3:5:2 in the manufacture of product Y. The actual and budget inventories for the year are as follows:

Particulars	Opening Stock (kg)	Expected Closing Stock (kg)	Anticipated Cost per kg (₹)
Material A	3000	2400	10
Material B	2500	5800	8
Material C	16000	17300	6
Product X	1500	2000	—
Product Y	3000	3500	—

Required:
Prepare the Production Budget and Materials Budget showing the purchase cost of materials for the year ending 31st March, 2025. [7]

6. 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.
Prepare a reconciliation among the variances. [14]

7. (a) Prepare the following information to show to management:
(i) The marginal product cost and the contribution per unit
(ii) The total contribution and profits resulting from each of the following sales mix results:

Particulars	Product	Per unit
Direct Materials	A	10
Direct Materials	B	9
Direct Wages	A	3
Direct Wages	B	2

Fixed Expenses - ₹ 800
Variable expenses are allotted to products at 100% of Direct Wages
Sales Price A ₹ 20

Sales Price B ₹ 15

Sales Mixtures:
(a) 100 units of Product A and 200 units of Product B
(b) 150 units of Product A and 150 units of Product B
(c) 200 units of Product A and 100 units of Product B [7]

(b) Describe the disclosures to be made as per CAS 3. [7]

8. (a) Explain the Responsibility centre? Classify the different types of Responsibility Centre? [4]

(b) Discuss the Bills of Materials? Examine the basic purposes of preparing a Bills of Material? [5]

(c) Summarize the objectives and scope of Cost Accounting Standard (CAS) - 5 on determination of Average (Equalized) Cost of Transportation. [5]