

Test Paper 2

National Test Series

Test Instruction:

1. Please write your solution in new sheets of paper. It is advisable to create a separate notebook for writing test.
2. You have to give the test between 2 PM to 5 PM .
3. Suppose, if you are not able to complete the test (or any part of the test) in prescribed time, then please draw line in the sheet whenever the prescribed time is getting over and clearly mention "Time Over". But keep writing the remaining part we will check that. We want to check your accuracy.
4. Include all rough work in your answer sheet only. Don't use separate pages for rough work.
5. Start different part of the test paper in new pages. Properly mention **page number** on your every answer sheet.
6. For instruction on how to submit the test please watch <http://bit.ly/CA Inter Test>
7. Send us your answer sheets by way of email on paper@konceptca.com.
8. Make sure pictures are sharp, also make sure that you send single email for the whole paper after converting them into PDF for instructions how to make PDF watch <https://youtu.be/q2hzXyLYe0o>
9. Email received after **25th April evening 7 PM** will not be assessed.
10. Do mention your KE-ID, name of the test series you are attempting for and name of the test in your answer sheet as well as in the subject of the mail while submitting your answer sheet.
11. Today Youtube live at 7:30 evening, result of National Test - 1 will be declared + Giveaway + Hacks for improving your costing score.

We will share your results and score only if you are able to send the answer sheets by **25th April evening 7 PM**

Youtube Live at 7:30 pm
Lets Discuss Todays exam Paper



Subject: Cost and Management Accounting

Marks: 100 Marks

Duration: 3 Hrs.

**Question. 1 is compulsory.
Answer any four out of remaining five questions.**

Question 1.

(A) M/S.X Private Limited is manufacturing a special product which requires a component "SKY BLUE". The following particulars are available for the year ended 31st, March 2018.

Annual demand FOR "SKY BLUE"	12000 units
Cost of placing another	₹1.800
Cost unit of "SKY BLUE"	₹640
Carrying cost per annum	18.75%

The company has been offered a quantity discount of 5% on the purchases of "SKY BLUE" provided the order size is 3000 component at a time.

You are required to:

- (i) Compute the Economic Order Quantity.
- (ii) Advise whether the quantity discount offer can be accepted.

(5 Marks)

(B) Calculate the earnings of A and B from the following particulars for a month and allocate the employee cost to each job X, Y and Z :

Particulars		A	B
(i)	Basic Wages (₹)	10,000	16,000
(ii)	Dearness Allowance	50%	50%
(iii)	Contribution to provident Fund (on basic wages)	8%	8%
(iv)	Contribution to Employee's State Insurance (on basic wages)	2%	2%
(v)	Overtime (Hours)	10	--

The normal working hours for the month are 200. Overtime is paid at double the total of normal wages and dearness allowance. Employer's contribution to state Insurance and Provident Fund are at equal rates with employees' contributions. The two workers were employed on jobs X, Y and Z in the following proportions:

Jobs	X	Y	Z
Worker A	40%	30%	30%
Worker B	50%	20%	30%

Overtime was done on job Y.

(5 Marks)

(C) AXA Passenger Transport Company is running 5 buses between two towns, which are 40 kms apart. Seating capacity of each bus is 40 passengers. Following details are available from their books, for the month of April 20X7:

Particulars	Amount (₹)
Salary of Drivers, Cleaners and Conductors	24,000
Salary to Supervisor	10,000
Diesel and other Oil	40,000
Repairs and Maintenance	8,000
Taxation and Insurance	16,000
Depreciation	26,000
Interest	20,000
Total	1,44,000

Actual passengers carried were 75% of the seating capacity. All the four buses run on all days for the month. Each bus made one round trip per day. Calculate cost per passenger – Kilometer.

(5 Marks)

(D) Beta Ltd. is manufacturing product N. This is manufactured standard mixing two material namely material P and Q. The standard cost of a mixture is as under :

Material P 150 ltr. @ ₹40 per ltr.
 Material Q 100 ltr. @ ₹60 per ltr.
 Standard loss @20 of total input is expected during production.
 The cost records for the period exhibit following consumption:
 Material P 140ltrs. @ ₹ 42 per ltr.
 Material Q 110 ltr. @ ₹ 56 per ltr.
 Quantity produced was 195ltr

Calculate:

- (i) Material cost variance
- (ii) Material usage variance
- (iii) Material price variance.

(5 Marks)

USE CODE : JUN20

**Single Subject
@ 3,540**

**Single Group
@ 7,670**

**Both Groups
@ 15,340**

Question 2.

(A) The ABC Company has the following account balances and distribution of direct charges on 31st March, 20X1.

Particulars	Total (₹)	Production Depts.		Service Depts.	
		Machine Shop (₹)	Packing (₹)	Gen. Plant (₹)	Store & Maintenance (₹)
Allocated Overheads :					
Indirect labour	14,650	4,000	3,000	2,000	5,650
Maintenance material	5,020	1,800	700	1,020	1,500
Misc. supplies	1,750	400	1,000	150	200
Superintendent's salary	4,000	-	-	4,000	-
Cost & payroll salary	10,000	-	-	10,000	-
Overheads to be apportioned :					
Power	8,000				
Rent	12,000				
Fuel and heat	6,000				
Insurance	1,000				
Taxes	2,000				
Depreciation	1,00,000				
Total	1,64,420	6,200	4,700	17,170	7,350

The following data were compiled by means of the factory survey made in the previous year:

Particulars	Floor space	Radiator sections	No. of employees	Investment ₹	H.P hours
Machine Shop	2,000 Sq. ft.	45	20	6,40,000	3500
Packing	800 Sq. ft.	90	10	2,00,000	500
General Plant	400 Sq. ft.	30	3	10,000	-
Store & Maint.	1,600 Sq. ft.	60	5	1,50,000	1,000
Total	4,800 Sq. ft.	225	38	10,00,000	5,000

Expenses charged to the stores and maintenance departments are to be distributed to the other departments by the following percentages:

Machine shop 50%; Packing 20%; General Plant 30%; General Plant overheads is distributed on the basis of number of employees:

- Prepare an overhead distribution statement with supporting schedules to show computations and basis of distribution including distribution of the service department expenses to producing department.
- Determine the service department distribution by the method of continued distribution. Carry through 3 cycles. Show all calculations to the nearest rupees.

(10 Marks)

(B) M/s. Bansals Construction Company Ltd. took a contract for Rs. 60,00,000 expected to be completed in three years. The following particulars relating to the contract are available:

Particulars	20X7 (Rs.)	20X8 (Rs.)	20X9 (Rs.)
Materials	6,75,000	10,50,000	9,00,000
Wages	6,20,000	9,00,000	7,50,000
Transportation cost	30,000	90,000	75,000
Other expenses	30,000	75,000	24,000
Cumulative work certified	13,50,000	45,00,000	60,00,000
Cumulative work uncertified	15,000	75,000	-

Plant costing Rs. 3,00,000 was bought at the commencement of the contract. Depreciation was to be charged at 25% per annum, on the written down value method. The contracted pays 75% of the value of work certified as and when certified, and makes the final payment on completion of the contract. You are required to prepare a contract account for three years.

(10 Marks)

Question 3.

(A) Arnab Confectioners (AC) owns a bakery which is used to make bakery items like pastries, cakes and muffins. AC use to bake at least 50 units of any item at a time. A customer has given an order for 600 cakes. To process a batch, the following cost would be incurred:

Direct materials - ₹ 5,000

Direct wages - ₹ 500 (irrespective of units)

Oven set-up cost - ₹ 750 (irrespective of units)

AC absorbs production overheads at a rate of 20% of direct wages cost. 10% is added to the total production cost of each batch to allow for selling, distribution and administration overheads.

AC requires a profit margin of 25% of sales value.

Required:

- (i) Determine the price to be charged for 600 cakes.
- (ii) Calculate cost and selling price per cake.
- (iii) Determine what would be selling price per unit if the order is for 605 cakes.

(10 Marks)

(B) Inorganic Chemicals purchases salt and processes it into more refined products such as Caustic Soda, Chlorine and PVC. In the month of July, Inorganic Chemicals purchased Salt for ₹ 40,000. Conversion of ₹ 60,000 were incurred up to the split off point, at which time two sealable products were produced. Chlorine can be further processed into PVC. The July production and sales information is as follows:

Particulars	Production (in ton)	Sales Quantity (in ton)	Selling price per ton (₹)
Caustic Soda	1,200	1,200	50
Chlorine	800	-	-
PVC	500	500	200

All 800 tons of Chlorine were further processed, at an incremental cost of ₹ 20,000 to yield 500 tons of PVC. There was no beginning or ending inventories of Caustic Soda, Chlorine or PVC in July.

There is active market for Chlorine. Inorganic Chemicals could have sold all its July production of Chlorine at ₹ 75 per ton.

Required:

- (1) To calculate how joint cost of ₹ 1,00,000 would be apportioned between Caustic Soda and Chlorine under each of following methods:
 - (a) Sales value at split- off point;
 - (b) Physical unit method, and
 - (c) Estimated net realisable value.
- (2) Lifetime Swimming Pool Products offers to purchase 800 tons of Chlorine in August at ₹ 75 per ton. This sale of Chlorine would mean that no PVC would be produced in August. How the acceptance of this offer for the month of August would affect operating income?

(10 Marks)

Question 4.

(A) The following information relates to a manufacturing concern for the ended 31st March 2018:

Particular	₹
Raw Material (opening)	2,28,000
Raw Material (closing)	3,05,000
Purchase of Raw Material	42,25,000
Freight Inwards	1,00,000
Direct wages paid	12,56,000
Direct wages -outstanding at the end of the year	1,50,000
Factory Overheads	20% of prime cost
Work in Progress (opening)	1,92,500
Work in progress (closing)	1,40,700
Administrative Overheads (related to production)	1,73,000
Distribution Expenses	₹ 16 per unit
Finished Stock (opening)-1217 Units	6,08,500
Sale of a scrap of material	8,000

The firm produced 1400 units of output during the year. The stock of finished goods at the end of the year is valued at cost of production.

The firm sold 14153 units at a price of 618 per unit during the year.

Prepared cost sheet of the firm.

(10 Marks)

(B) PH Gems Ltd. is manufacturing ready-made suits. It has annual production capacity of 2,000 pieces. The cost Accountant has presented the following information for the year to the management.

Particular	Amount (₹)	Amount(₹)
Sales 1,500 pieces @ ₹1,800 per piece	-	27,00,000
Direct Material	5,94,200	-
Direct labour	4,42,600	-
Overheads(40% fixed)	11,97,000	22,33,800
Net profit	-	4,66,300

Evaluate the following options:

- (i) If selling in increased by ₹200, the sales will come down to 60% of the total annual capacity. Should the company increase its selling price?
- (ii) The company can earn a profit of 20% on sales if the company provide TIEPIN with ready-made a suit. The cost of each TIEPIN is ₹18 calculate the sales to sales to earn a profit of 20% on sales.

(10 Marks)

USE CODE : NOV20

Single Subject
@ 5,900

Single Group
@ 11,800

Both Groups
@ 21,240

Question: 5

(A) Action Plan Manufacturers normally produce 8,000 units of their product in a month, in their Machine Shop. For the month of January, they had planned for a production of 10,000 units. Owing to a sudden cancellation of a contract in the middle of January, they could only produce 6,000 units in January.

Indirect manufacturing costs are carefully planned and monitored in the Machine Shop and the Foreman of the shop is paid a 10% of the savings as bonus when in any month the indirect manufacturing cost incurred is less than the budgeted provision.

The Foreman has put in a claim that he should be paid a bonus of ₹ 88.50 for the month of January. The Works Manager wonders how anyone can claim a bonus when the Company has lost a sizeable contract. The relevant figures are as under:

Indirect manufacturing	Expenses for a normal month	Planned for January	Actual in costs January
	(₹)	(₹)	(₹)
Salary of foreman	1,000	1,000	1,000
Indirect labour	720	900	600
Indirect material	800	1,000	700
Repairs and maintenance	600	650	600
Power	800	875	740
Tools consumed	320	400	300
Rates and taxes	150	150	150
Depreciation	800	800	800
Insurance	100	100	100
	5,290	5,875	4,990

Do you agree with the Works Manager? Is the Foreman entitled to any bonus for the performance in January? Substantiate your answer with facts and figures.

(10 Marks)

(B) Alpa Ltd. is engaged in the production of a product A which passes through 3 different process-process p, Process Q and Process R. The following data relating to cost and output to cost output is obtained from the books of accounts for the month of April 2017:

Particulars	Process P	Process Q	Process R
Direct Material	38,000	42,500	42,880
Direct labor	30,000	40,000	50,000

Production overheads of ₹90,000 were recovered as a percentage of direct labor.

10,000 kg of raw material @ ₹ 5 per kg. Was issued to process p. There was no stock of materials or work in process. The entire output of each process passes directly to the next process and finally to the warehouse. There is normal wastage in the processing of 10%. The transfer value of wastage is ₹1per kg. The output of each process transferred to the next process and finally to warehouse areas under: P

Process P =9,000 kg

Process Q= 8,200 kg

Process R= 7,300 kg

The company fixes the selling price of the end product in such a way so as to yield a profit of 25% selling price.

Prepare process P, Q, and R accounts. Also calculate the selling price per unit of the end product.

(10 Marks)

Question 6.

(A) What are the motivational factors for adopting a reconciliation process? Explain.

(4 Marks)

(B) Identify the methods of costing where:

- All cost are directly charged to a specific job.
- All costs are directly charged to a group of product.
- The nature of the product is complex and method cannot be ascertained.
- Cost is ascertained for a single product.

(4 Marks)

(C) Discuss the two types of cost associated with labour turnover

(4 Marks)

(D) What is blanket overhead rate? In which situations, blanket rate is to be used and why?

(4 Marks)

(E) What are the limitations of ABC?

(4 Marks)



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