National Test Series 2

Test Paper 2

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. Send us your answer sheets by way of email on paper@konceptca.com.
   (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)
7. Email received after **3rd October evening 7 PM** will not be assessed.
8. For instruction on how to submit the test please watch http://bit.ly/CA_Inter_Test
9. 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.

We will share your results and score only if you are able to send the answer sheets by **3rd October evening 7 PM.**

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) Sree Ajeet Ltd. having fifteen different types of automatic machines furnishes information as under for 20X8-20X9

i. Overhead expenses: Factory rent ₹ 1,80,000 (Floor area 1,00,000 sq. ft.), Heat and gas ₹ 60,000 and supervision ₹ 1,50,000.
ii. Wages of the operator are ₹ 200 per day of 8 hours. Operator attends to one machine when it is under set up and two machines while they are under operation.

In respect of machine B (one of the above machines) the following particulars are furnished:

i. Cost of machine ₹ 1,80,000, Life of machine- 10 years and scrap value at the end of its life ₹ 10,000
ii. Annual expenses on special equipment attached to the machine are estimated as ₹ 12,000
iii. Estimated operation time of the machine is 3,600 hours while set up time is 400 hours per annum
iv. The machine occupies 5,000 sq. ft. of floor area.
v. Power costs ₹ 5 per hour while machine is in operation.

Estimate the comprehensive machine hour rate of machine B. Also find out machine costs to be absorbed in respect of use of machine B on the following two work orders

	Work order- 1	Work order-2
Machine set up time (Hours)	15	30
Machine operation time (Hours)	100	190

(5 Marks)

(B) A manufacturing company disclosed a net loss of ₹3,47,000 as per their cost accounts for the year ended March 31,20X8. The financial accounts however disclosed a net loss of ₹ 5,10,000 for the same period. The following information was revealed as a result of scrutiny of the figures of both the sets of accounts.

Particulars	**(₹)**
(i) Factory Overheads under-absorbed	40,000
(ii) Administration Overheads over-absorbed	60,000
(iii) Depreciation charged in Financial Accounts	3,25,000
(iv) Depreciation charged in Cost Accounts	2,75,000
(v) Interest on investments not included in Cost Accounts	96,000
(vi) Income-tax provided	54,000
(vii) Interest on loan funds in Financial Accounts	2,45,000
(viii) Transfer fees (credit in financial books)	24,000

(ix) Stores adjustment (credit in financial books)	14,000
(x) Dividend received	32,000

Prepare a memorandum Reconciliation Account.

(5 Marks)

(C) A skilled worker in XYZ Ltd. is paid a guaranteed wage rate of ₹ 30 per hour. The standard time per unit for a particular product is 4 hours. Mr. P, a machine man, has been paid wages under the Rowan Incentive Plan and he had earned an effective hourly rate of ₹ 37.50 on the manufacture of that particular product.

What could have been his total earnings and effective hourly rate, had he been put on Halsey Incentive Scheme (50%)?

(5 Marks)

(D) In an Oil Mill four products emerge from a refining process. The total cost of input during the quarter ending March 20X8 is ₹ 1,48,000. The output, sales and additional processing costs are as under:

Products	Output in Litres	Additional processing cost after split off (₹)	Sales value (₹)
ACH	8,000	43,000	1,72,500
BCH	4,000	9,000	15,000
CSH	2,000	-	6,000
DSH	4,000	1,500	45,000

In case these products were disposed-off at the split off point that is before further processing, the selling price per litre would have been:

ACH (₹)	BCH (₹)	CSH (₹)	DSH (₹)
15.00	6.00	3.00	7.50

Produce a statement of profitability based on:

(i) If the products are sold after further processing is carried out in the mill.

(ii) If they are sold at the split off point.

(5 Marks)

Question 2.

(A) Ananya Ltd. produces a product 'Exe' using a raw material Dee. To produce one unit of Exe, 2 kg of Dee is required. As per the sales forecast conducted by the company, it will able to sale 10,000 units of Exe in the coming year. The following is the information regarding the raw material Dee:

i. The Re-order quantity is 200 kg. less than the Economic Order Quantity (EOQ).
ii. Maximum consumption per day is 20 kg. more than the average consumption per day.
iii. There is an opening stock of 1,000 kg.
iv. Time required to get the raw materials from the suppliers is 4 to 8 days.
v. The purchase price is ₹ 125 per kg.

There is an opening stock of 900 units of the finished product Exe.

The rate of interest charged by bank on Cash Credit facility is 13.76%.

To place an order company has to incur ₹ 720 on paper and documentation work.

From the above information find out the followings in relation to raw material Dee:

(a) Re-order Quantity

(b) Maximum Stock level

(c) Minimum Stock level

(d) Calculate the impact on the profitability of the company by not ordering the EOQ.

[Take 364 days for a year]

(10 Marks)

(B) RST Construction Ltd. commenced a contract on April 1, 20X1. The total contract was for ₹ 49,21,875. It was decided to estimate the total profit on the contract and to take to the credit of Costing Profit and Loss A/c that proportion of estimated profit on cash basis, which work completed bore to total contract. Actual expenditure for the period April 1, 20X1 to March 31, 20X2 and estimated expenditure for April 1, 20X2 to September 30, 20X2 are given below :

	April 1, 20X1 to March 31, 20X2 (Actual) (₹)	April 1, 20X2 to Sept. 30, 20X2 (Estimated) (₹)
Materials issued	7,76,250	12,99,375
Wages : Paid	5,17,500	6,18,750
Prepaid	37,500	-
Outstanding	12,500	5,750
Plant purchased	4,00,000	-
Expenses : Paid	2,25,000	3,75,000
Outstanding	25,000	10,000
Prepaid	15,000	-
Plant returns to store	1,00,000	3,00,000
(historical cost)	(on September 30, 20X1)	(on September 30, 20X2)
Work certified	22,50,000	Full
Work uncertified	25,000	-
Cash received	18,75,000	-
Materials at site	82,500	42,500

The plant is subject to annual depreciation @ 25% on written down value method.

The contract is likely to be completed on September 30, 20X2.

Required: Prepare the Contract A/c for the year ended 31st March, 20X2 and determine the estimated profit on the contract.

(10 Marks)

Question 3.

(A) AP Ltd. received a job order for supply and fitting of plumbing materials. Following are the details related with the job work:

Direct Materials

AP Ltd. uses a weighted average method for the pricing of materials issues.

Opening stock of materials as on 12th August 2020:

- 15mm GI Pipe, 12 units of (15 feet size) @ ₹600 each
- 20mm GI Pipe, 10 units of (15 feet size) @ ₹ 660 each
- Other fitting materials, 60 units @ ₹ 26 each
- Stainless Steel Faucet, 6 units @ ₹ 204 each
- Valve, 8 units @ ₹ 404 each

Purchases:

On 16th August 2020:

- 20mm GI Pipe, 30 units of (15 feet size) @ ₹ 610 each
- 10 units of Valve @ ₹ 402 each

On 18th August 2020:

- Other fitting materials, 150 units @ ₹ 28 each
- Stainless Steel Faucet, 15 units @ ₹ 209 each

On 27th August 2020:

- 15mm GI Pipe, 35 units of (15 feet size) @ ₹ 628 each
- 20mm GI Pipe, 20 units of (15 feet size) @ ₹ 660 each
- Valve, 14 units @ ₹ 424 each

Issues for the hostel job:

On 12th August 2020:

- 20mm GI Pipe, 2 units of (15 feet size)
- Other fitting materials, 18 units

On 17th August 2020:

- 15mm GI Pipe, 8 units of (15 feet size)
- Other fitting materials, 30 units

On 28th August 2020:

- 20mm GI Pipe, 2 units of (15 feet size)
- 15mm GI Pipe, 10 units of (15 feet size)
- Other fitting materials, 34 units
- Valve, 6 units

On 30th August 2020:

- Other fitting materials, 60 units
- Stainless Steel Faucet, 15 units

Direct Labour:

Plumber: 180 hours @ ₹100 per hour (includes 12 hours overtime)

Helper: 192 hours @ ₹70 per hour (includes 24 hours overtime)

Overtimes are paid at 1.5 times of the normal wage rate.

Overheads:

Overheads are applied @ ₹26 per labour hour.

Pricing policy:

It is company's policy to price all orders based on achieving a profit margin of 25% on sales price.

You are required to

(a) CALCULATE the total cost of the job.

(b) CALCULATE the price to be charged from the customer.

(10 Marks)

(B) A lodging home is being run in a small hill station with 100 single rooms. The home offers concessional rates during six off- season months in a year. During this period, half of the full room rent is charged. The management's profit margin is targeted at 20% of the room rent. The following are the cost estimates and other details for the year ending on 31st March 20X7. [Assume a month to be of 30 days].

(i) Occupancy during the season is 80% while in the off- season it is 40% only.

(ii) Total investment in the home is ₹200 lakhs of which 80% relate to buildings and balance for furniture and equipment.

(iii) Expenses:

Staff salary [Excluding room attendants] : ₹5,50, 000

Repairs to building : ₹2,61,000

Laundry charges : ₹ 80, 000

Interior : ₹ 1,75,000

Miscellaneous expenses : ₹ 1,90,800

(iv) Annual depreciation is to be provided for buildings @ 5% and on furniture and equipment @ 15% on straight-line basis.

(v) Room attendants are paid ₹ 10 per room day on the basis of occupancy of the rooms in a month.

(vi) Monthly lighting charges are ₹ 120 per room, except in four months in winter when it is ₹ 30 per room and this cost is on the basis of full occupancy for a month.

You are required to work out the room rent chargeable per day both during the season and the off-season months on the basis of the foregoing information.

(10 Marks)

Question 4.

(A) Star Ltd. manufactures chemical solutions for the food processing industry. The manufacturing takes place in a number of processes and the company uses FIFO method to value work-in-process and finished goods. At the end of the last month, a fire occurred in the factory and destroyed some of papers containing records of the process operations for the month.

Star Ltd. needs your help to prepare the process accounts for the month during which the fire occurred. You have been able to gather some information about the month's operating activities but some of the information could not be retrieved due to the damage. The following information was salvaged:

- Opening work-in-process at the beginning of the month was 1,600 litres, 70% complete for labour and 60% complete for overheads. Opening work-in-process was valued at ₹ 1,06,560.
- Closing work-in-process at the end of the month was 320 litres, 30% complete for labour and 20% complete for overheads.
- Normal loss is 10% of input and total losses during the month were 1,200 litres partly due to the fire damage.
- Output sent to finished goods warehouse was 8,400 litres.
- Losses have a scrap value of ₹ 15 per litre.
- All raw materials are added at the commencement of the process.
- The cost per equivalent unit (litre) is ₹ 78 for the month made up as follows:

	(₹)
Raw material	46
Labour	14
Overheads	18
	78

Required:

(i) CALCULATE the quantity (in litres) of raw material inputs during the month.

(ii) CALCULATE the quantity (in litres) of normal loss expected from the process and the quantity (in litres) of abnormal loss / gain experienced in the month.

(iii) CALCULATE the values of raw material, labour and overheads added to the process during the month.

(iv) PREPARE the process account for the month.

(10 Marks)

(B) The information of Z Ltd. for the year ended 31st March 2020 is as below:

	Amount (₹)
Direct materials	17,50,000
Direct wages	12,50,000

Variable factory overhead	9,50,000
Fixed factory overhead	12,00,000
Other variable costs	6,00,000
Other fixed costs	4,00,000
Profit	8,50,000
Sales	70,00,000

During the year, the company manufactured two products, X and Y, and the output and cost were:

	X	**Y**
Output (units)	8,000	4,000
Selling price per unit (₹)	600	550
Direct material per unit (₹)	140	157.50
Direct wages per unit (₹)	90	132.50

Variable factory overheads are absorbed as a percentage of direct wages and other variable costs are computed as:

Product X – ₹40 per unit and Product Y- ₹70 per unit.

For the FY 2020-21, due to a pandemic, it is expected that demand for product X and Y will fall by 20% & 10% respectively. It is also expected that direct wages cost will raise by 20% and other fixed costs by 10%. Products will be required to be sold at a discount of 20%.

You are required to:

(i) PREPARE product- wise profitability statement on marginal costing method for the FY 2019-20 and

(ii) PREPARE a budget for the FY 2020-21.

(10 Marks)

Question 5.

(A) The following standards have been set to manufacture a product:

Direct materials	(₹)
2 units of X at ₹40 per unit	80.00
3 units of Y at ₹ 30 per unit	90.00
15 units of Z at ₹10 per unit	150.00
	320.00
Direct labour 3 hours @ ₹ 55 per hour	165.00
Total standard prime cost	485.00

The company manufactured and sold 6,000 units of the product during the year 20X8.

Direct material costs were as follows:

12,500 units of X at ₹ 44 per unit.

18,000 units of Y at ₹ 28 per unit.

88,500 units of Z at ₹12 per unit.

The company worked 17,500 direct labour hours during the year 20X8. For 2,500 of these hours the company paid at ₹ 58 per hour while for the remaining hours the wages were paid at the standard rate.

Required:

Compute the following variances:

Material Price, Material Usage, Material Mix, Material Yield, Labour Rate and Labour Efficiency.

(10 Marks)

(B) XYZ Ltd. has a production capacity of 2,00,000 units per year. Normal capacity utilisation is reckoned as 90%. Standard variable production costs are ₹ 11 per unit. The fixed costs are ₹ 3,60,000 per year. Variable selling costs are ₹ 3 per unit and fixed selling costs are ₹ 2,70,000 per year. The unit selling price is ₹ 20.

In the year just ended on 30th June, 20X4, the production was 1,60,000 units and sales were 1,50,000 units. The closing inventory on 30th June was 20,000 units.

The actual variable production costs for the year were ₹ 35,000 higher than the standard.

(i) Calculate the profit for the year

(a) by absorption costing method and

(b) by marginal costing method.

(ii) Explain the difference in the profits.

(10 Marks)

Question 6.

(A) Write short notes on the following:

(i) Re-order quantity

(ii) Re-order level

(iii) Maximum stock level

(iv) Minimum stock level

(4 Marks)

(B) DISCUSS the treatment of by-product cost in cost accounting.

(4 Marks)

(C) Describe Unit Costing and Batch Costing giving example of industries where these are used?

(4 Marks)

(D) What is meant by cost center?

(4 Marks)

(E) Explain 'Just In Time' (JIT) approach of inventory management.

(4 Marks)

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