INTERMEDIATE EXAMINATION

June 2025

P–8(CA)
Syllabus 2022

COST ACCOUNTING

Time Allowed: 3 hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.
Where considered necessary, suitable assumptions may be made and clearly indicated in the respective answer.

All working notes must from part of the answer.

Section-A

Answer Question No. 1, which is Compulsory.

1. **Choose the correct answer from the given alternatives (You may write only the Roman numeral and the alphabet chosen for your answer):** 2×15=30

(i) Which of the following statements is true?
- (A) Batch costing is a variant of job costing.
- (B) Job cost sheet may be used for estimating profit of jobs.
- (C) Job costing cannot be used in conjunction with marginal costing.
- (D) In cost plus contracts, the contractor runs a risk of incurring a loss.

(ii) Which of the following is applicable for Cost Control?
- (A) It is a corrective function.
- (B) It challenges the standards set.
- (C) It ends when targets are achieved.
- (D) It is related with the future.

(iii) Which of the following budget recognises the difference between fixed, semi-fixed and variable cost and is designed to change in relation to the change in level of activity?
- (A) Master Budget
- (B) Flexible Budget
- (C) Operational Budget
- (D) Activity Budget

(iv) Under net realisable value method of apportionment of joint costs to joint products, the selling and distribution cost is ________.
- (A) Added to joint cost.
- (B) Deducted from sales value.
- (C) Added to sales value.
- (D) Deducted from further processing cost.

(v) Which of the following is not a potential benefit of using a budget?

(A) More motivated managers

(B) Improved inter-departmental communication

(C) Enhanced coordination of firm activities

(D) More accurate external financial statements

(vi) A & Co. calculates the prices of jobs by adding overheads to the prime cost and adding 30% to total costs as a profit margin. Job No. LM-24 was sold for ₹ 6,760 and incurred overheads of ₹ 2,776. The prime cost of the job is ________.

(A) ₹ 1,956

(B) ₹ 2,424

(C) ₹ 3,984

(D) ₹ 5,200

(vii) In a Non-integrated Accounting System, what is the primary objective of Overhead Ledger?

(A) Managing general ledger entries

(B) Recording direct costs

(C) Controlling indirect costs

(D) Maintaining financial transactions

(viii) Navi & Co. pays ₹ 8 per unit royalty to the designer of a product which it manufactures and sells. The royalty charge would be classified in the company's accounts as ________.

(A) Direct expense

(B) Indirect expense

(C) Production overhead

(D) Selling overhead

(ix) Blue Star Transport Co. operates two trucks. During a particular period, the two trucks travelled a total of 25,000 kms carrying goods. The average load was 3 tonnes per journey. In total they made 20 journeys. Total costs were ₹ 2,25,000. In this case, the average cost per tonne-km is ________.

(A) ₹ 2.22

(B) ₹ 6.67

(C) ₹ 3.00

(D) ₹ 9.00

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

(A) Section 136

(B) Section 148

(C) Section 154

(D) Section 182

(xi) Jolly Ltd. manufactures a student level fountain pen and sale each pen @ ₹ 40 per unit. The variable cost of each fountain pen is ₹ 22 and the fixed cost for a month is ₹ 16,000. The company wishes to earn a target profit of ₹ 20,000 for the month. In the above situation, sales volume (in units) required is _________.

(A) 1,500 units
(B) 1,800 units
(C) 2,000 units
(D) 2,400 units

(xii) Which of the following would not be used to estimate standard direct material price?

(A) Purchase contracts already agreed
(B) The forecast movement of prices in the market
(C) The availability of bulk purchase discounts
(D) Performance standards in operation

(xiii) During August 2024, there were 21 working days of 8 hours per day in a firm. The workforce consists of 20 workers and due to a machine breakdown, 480 hours were recorded as idle time during the month.
During August, the workforce produced 10,800 units of output. The expected time per unit of output is 15 minutes (i.e. 0.25 hours). The Production Volume Ratio of the firm for the month of August 2024 is ________.

(A) 80.36%
(B) 85.71%
(C) 89.73%
(D) 93.75%

(xiv) The operations to produce a unit of product R require 9 hours. Budgeted idle time of 10% of total hours paid for is to be incorporated into the standard times for all product. The wage rate is ₹16 per hour. The standard labour cost of one unit of product R is _________.

(A) ₹ 129.60
(B) ₹ 144.00
(C) ₹ 158.40
(D) ₹ 160.00

(xv) In an integrated accounting system, the accounting entry for indirect wages incurred would be ____________.

(A) Debit Wages Control Account and Credit Work-in-progress Account
(B) Debit Overheads Control Account and Credit Wages Control Account
(C) Debit Work-in-progress Account and Credit Wages Control Account
(D) Debit Wages Control Account and Credit Overheads Control Account

Section-B

Answer *any five* questions from question number 2 to 8.

Each question carries 14 marks. 14×5=70

2. (a) Standard Engineering Limited (SEL) manufactures and sells standard size of machine. The SEL submits the following details for the accounting year ended on 31st March, 2025:

Particulars	Amount (₹)
Sales for the year	90,00,000
Purchases of raw material for the year	34,00,000
Direct labour	16,00,000
Inventories at the beginning of the year:	
Work-in-progress	1,20,000
Finished goods	3,60,000
Raw materials inventory:	
At the beginning of the year	80,000
At the end of the year	1,30,000
Inventories at the end of the year:	
Work-in-progress	1,80,000
Finished goods	2,20,000

Factory overheads were 60% of direct labour cost.
Administration overheads were 6% of sales and not related to the production activity.
Selling & distribution overheads were 12% of sales.

You are required to:
Prepare a Cost and Profit Statement for the year ended on 31st March, 2025. 7

(b) Babbu Small Industries employ two workmen, Vikas and Shiv. Both works to produce the same product, with the help of same raw material and also with the same normal wage rate. Vikas is paid bonus according to the Rowan System, while Shiv is paid bonus according to the Halsey System. The time allowed to make the product is 50 hours. Vikas takes 30 hours while Shiv takes 40 hours to complete the product. The factory overhead rate is ₹ 10 per man-hour actually worked. The factory cost of the product for Vikas is ₹ 14,560 and for Shiv it is ₹ 15,200.

You are required to:
(i) Find the cost of materials;
(ii) Prepare a Statement comparing the factory cost of the product as made by the two workmen. 7

3. (a) Following details are taken from the books of ABC Ltd. for the month of October, 2024:

Indirect Materials: Production Departments: X ₹19,000; Y ₹24,000; Z ₹4,000;
Service Departments: Maintenance ₹30,000; Stores ₹8,000.

Indirect Wages: Production Departments: X ₹18,000; Y ₹22,000; Z ₹6,000;
Service Departments: Maintenance ₹20,000; Stores ₹13,000.

Other Expenses: Power and Light ₹1,20,000; Rent and Rates ₹56,000; Insurance of Assets ₹20,000;

Meal Charges ₹60,000; Depreciation @ 6% p.a. on capital value of assets.

Departmental Data

Items	Production Departments			Service Departments	
	X	Y	Z	Maintenance	Stores
Area (Sq. Ft.)	4,000	4,000	3,000	2,000	1,000
Capital Value of Assets (₹)	20,00,000	24,00,000	16,00,000	12,00,000	8,00,000
Kilowatt Hours	2,000	2,200	800	750	250
Number of Employees	180	240	60	80	40

Service rendered by Maintenance Department to Production Departments:
X 50%; Y 30%; Z 20%.

Service rendered by Stores Department to Production Departments:
X 40%; Y 40%; Z 20%.

You are required to:

Prepare a Departmental Distribution Summary showing apportion of costs of Service Departments to the Production Departments and the Total Overheads of the Production Departments. 7

(b) A summary of the Profit & Loss Account of ABC Ltd. for the year ended on 31st March, 2025 is as follows:

Particulars	Amount (₹)	Particulars		Amount (₹)
To Materials consumed	5,48,000	By Sales (24,000 units)		12,00,000
To Direct wages	3,02,000	By Finished stock (800 units)		32,000
To Factory overheads	1,66,000	By Work-in- progress:		
To Administration overheads	76,480	Material	12,800	
To Selling and distribution overheads	90,000	Direct wages	7,200	
To Preliminary expenses	12,000	Factory overheads	4,000	24,000
		By Dividend received		3,600
To Net Profit	65,120			
	12,59,600			**12,59,600**

The company manufactures a standard unit. The cost accounting records of the company shows the following information:

(i) Factory overheads have been charged at 20% on prime cost.
(ii) Administration overheads have been recovered at ₹ 3 per finished unit.
(iii) Selling and distribution overheads have been recovered at ₹ 4 per unit sold.
(iv) Work-in-progress in valued at prime cost.

Prepare:

(I) A Costing Profit and Loss Account indicating Net Profit.
(II) A statement reconciling the profit as disclosed by cost accounts with that shown in financial accounts. 7

4. (a) Component 'Diamond' is made entirely in Machine Shop No. XYZ-II. Material cost is ₹10 per component and each component takes 6 minutes to produce. The machine operator is paid ₹12 per hour and machine hour rate is ₹72 per hour.
The setting up of the machine to produce the component 'Diamond' takes 3 hours for the operator.

Required:

Prepare a Cost Sheet showing the setting up costs and the production costs, both in total (i.e. for the batch) and per component, assuming a batch size of:

(i) 100 components,
(ii) 150 components, and
(iii) 200 components. 7

(b) PQR Ltd. undertook a contract on 1st April, 2023 for the construction of a building at a contract price of ₹ 45,00,000. During the first year 2023-24, 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 2024-25, 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.

Required:

Prepare the Contract Account and the Contractee's Account for both the years and determine the profits. 7

5. (a) Moon Ltd. is the market leader in the manufacture and sale of specialized product "GPT". In manufacturing the main product 'GPT', Moon Ltd. processes the resulting waste into two by-products X and Y. From the records of the company, you receive the information as given below:

(i) Total cost up to the point of separation: ₹ 1,36,000

Particulars	GPT (₹)	X (₹)	Y (₹)
(ii) Sales realization (all output)	3,28,000	32,000	48,000
(iii) Cost incurred after separation	-	9,600	14,400
(iv) Estimated profit on sales value	-	20%	30%
(v) Selling expenses estimated (on sales value)	20%	20%	20%

Required:

Prepare Comparative Profit and Loss Statement using the Reverse Cost Method for by-products. 7

(b) QTR Ltd., which is following standard costing system, furnishes the following information regarding production budget for December, 2024:

Product X = 40,000 units and Product Y = 80,000 units

One standard hour represents 10 units of Product X and 8 units of Product Y. The standard wage rate per hour is ₹ 0.50.

During the month, 15,000 hours were paid (@ ₹ 0.60 per hour) which included 700 unproductive hours due to unbudgeted holidays and also loss of production of 500 units of Product X due to machine breakdown.

Actual production for the month was 48,000 units of X and 76,000 units of Y.

Required to calculate the following Labour Variances:

(i) Direct Labour Rate Variance

(ii) Direct Labour Idle Time Variance

(iii) Direct Labour Efficiency Variance

(iv) Direct Labour Total Variance 7

6. Man Limited manufactures and sells Product-X. Following data are available in this regard for the year ended March, 2025:

Particulars	**₹ per unit**
Raw materials	20.00
Conversion Cost (variable)	15.00
Dealer's Margin	5.00
Selling Price	50.00

Fixed Cost: ₹ 8,00,000

Present Sales: 1,50,000 units

Capacity Utilization: 60 per cent

There is an acute competition in the market. Extra efforts are necessary to sell the product. Following suggestions have been made for increasing sales:

(i) To reduce selling price by 4 per cent.

(ii) To increase dealer's margin by 20 per cent over the existing rate.

Required:

If the company desires to maintain the present level of profit in the next year, which of the above two suggestions would you recommend? Give your reasons. 14

7. (a) Sun & Moon Ltd. manufactures two products—Product R and Product S. During the year ending on 31st March, 2025, it is expected to sell 30,000 kg of Product R and 1,50,000 kg of Product S @ ₹ 120 and ₹ 64 per kg respectively.

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

Particulars	Opening Stock(kg)	Expected Closing Stock (kg)	Anticipated Cost per kg (₹)
Material X	4,500	3,600	20
Material Y	4,000	7,500	16
Material Z	22,000	24,500	12
Product R	1,800	2,800	-
Product S	4,200	4,700	-

You are required to:

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

(b) What are Direct Expenses as defined in CAS-10? Also discuss the general principles of measurement of direct expenses as per CAS-10. 7

8. Answer the following questions:

(a) What are the essentials of a good Cost Accounting System (any four)? 4

(b) What is ABC Analysis? State the main advantages (any three) of ABC Analysis. 5

(c) State the objectives and scope of Cost Accounting Standard-8 (CAS-8) on 'Cost of Utilities'. 5