Paper-8

COST AND MANAGEMENT ACCOUNTING

Test Paper- II/8/CMA/2008/T-4

Time Allowed: 3 hours Marks: 100

Attempt Question No.1, which is compulsory and carries 20 marks. [Five marks each for 1 A and 1 B and 10 marks for 1 C] and attempt any five of the remaining, which carry 16 marks each

Q1]
A] Match the following correctly to what it relates

Uniform costing	Flow of funds
Variance analysis	Continuous physical verification
Ratio analysis	Cost of alternative course of action
Relevant cost	Technique to assist inter firm comparison
Perpetual inventory system	Performance evaluation
	Management by exception

B] State whether the following statements are True [T] or False [F]

I] Standard costing can be introduced in all types of manufacturing industries.

II] Net profit under marginal costing and absorption costing will be the same if no inventory exists.

III] Fixed cost vary with volume rather than time.

IV] Centralized purchasing is always advisable in a multi unit industry.

V] Slow moving material has a high turnover ratio

C] Choose the correct answer from the answers given for each of the following questions. Indicate working briefly wherever necessary

I] A company have a margin of safety of Rs.40 lakhs and earns an annual profit of Rs.10 lakhs. If the fixed cost amount to Rs.20 lakhs, annual sales will be

A] Rs.160 lakhs B] Rs.140 lakhs C] Rs.120 lakhs D] Rs.200 lakhs

II] The current ratio of ABC Ltd is 2:1, while Quick ratio is 1.80:1. If the current liabilities are Rs.40, 000 the value of stock will be,

A] Rs.6400 B] Rs.8000 C] Rs.10, 000 D] Rs.12, 000

III] In a mill, number of employees at the beginning and end of a period were 2486 and 2334 respectively. During the period, 320 workers left the mill while 168 persons joined in service. Labor turnover rate as per Flux method will be,

A] 8.22% B] 9.46% C] 10.12% D] None of the above.

IV] Under Gantt's Task and Bonus plan, no bonus is payable to a worker if his efficiency is less than,

A] 50%

B] 662/3%

C] 831/3%

D] 100%

V] Bad debt is an example of,

A] Production overheads

B] Administration overheads

C] Selling overheads

D] Distribution overhead

Q2] Distinguish between the following [Any Four]

I] Prime cost and conversion cost

II] Direct cost and indirect cost

III] Fixed budget and flexible budget

IV] First in first out and Last in first out

V] Time keeping and Time booking

Q3] The New Enterprise Ltd has three departments, P1, P2, P3 and in addition two service departments, S1 and S2. The following figures are extracted from the records of the company.

	Rs
Rent and Rates	5,000
General lighting	600
Indirect wages	1,500
Power	1,500
Depreciation of machinery	10,000
Sundries	10,000

The following further details are also available

Particulars	Total	P1	P2	P3	S1	S2
Floor space (sqm)	10,000	2,000	2,500	3,000	2,000	500
Light Points	60	10	15	20	10	5
Direct Wages (Rs)	10,000	3,000	2,000	3,000	1,500	500
H.P.of Machines	150	60	30	50	10	-----
Value of Machinery (in 000s of Rs)	250	60	80	100	5	5
Working hours		6226	4028	4066		

Expenses of S1 and S2 are allocated as follows

	P1	P2	P3	S1	S2
Dept S1	20%	30%	40%		10%
Dept S2	40%	20%	30%	10%	

What should be the cost of job if the direct materials cost is Rs. 50, Direct labour cost is Rs. 30 and it passes through departments P1, P2 and P3 for 4, 5, and 3 hours respectively?

Q4] A manufacturer purchases 800 units of a certain component p.a. @ Rs.30 per unit from outside supplier. The annual usage is 800 units, order placing and receiving cost is Rs.100 per order and cost of holding one unit of the component for one year is Rs.4. Calculate the Economic Order Quantity by tabular method. Also calculate the number of orders to be placed per year

Q5] Define joint products and by-products. Explain the various bases available for apportionment of joint costs to joint products.

Q6] A factory engaged in manufacturing plastic toys is working at 40% capacity and produces 10000 toys per month. The present cost break up for one toy is as under

Material: Rs.100

Labor: Rs.30

Overheads: Rs.50 [60% fixed]

The selling price is Rs.200 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 profits at 50% and 90% capacity.

Q7] Write short notes on [Any Four]

A] Opportunity costs

B] Perpetual inventory system

C] Escalation clause in contracts

D] Key factor

E] Types of standards.