

# Paper-8

## COST AND MANAGEMENT ACCOUNTING

### Test Paper- II/8/CMA/2008/T-2

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 A with B

A	B
Value engineering	Costing Profit and Loss A/c
Joint costs	Design of a product
Non integrated accounts	Management by exception
Cost of abnormal idle time	Pre-separation cost
Variance analysis	Need for reconciliation

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

- I] Time and motion study, which is a function of the engineering department, is useless for the determination of wages.
- II] Store ledger and Bin cards serve the same purpose.
- III] Step costs are also called as semi-variable costs
- IV] Flexible budgets are in fact a series of fixed budget

V] Scrap and spoilage are one and the same thing.

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

I] A factory makes use of a component purchased from the market for assembling its final product. Current usage varies between 300 and 450 units per week and replenishment time is normally two weeks but can go up to five weeks. The minimum stock level of the component is -  
----- units

A] 1500 B] 1600 C] 2000 D] 2400

II] In two consecutive periods, sales and profits were Rs.1, 60, 000 and Rs.8000 respectively in the first period and Rs.1, 80, 000 and Rs.14, 000 respectively during the second period. If there is no change in fixed cost between the two periods, the P/V ratio must be-----

A] 20% B] 25% C] 30% D] 40%

III] 60% of material P and 40% of material Q is required for producing a unit of final product P. The standard price of these materials is Rs.10 and Rs.5 per kg respectively. If the normal loss is 20% of the input, the standard cost per unit will be,

A] Rs.15 B] Rs.20 C] Rs.10 D] None of the above

IV] The rent of business premises should be shared out between cost centers according to,

A] Floor area or cubic capacity B] The number of employees

C] The replacement value of machinery and equipment D] The number of kilowatt hours.

V] The budgeted fixed overheads amounted to Rs.84000. The budgeted and actual production amounted to 20000 units and 24000 units respectively. This means that there will be,

A] An under absorption of Rs.16800 B] An under absorption of Rs.14000 C] An over absorption of Rs.16800 D] An over absorption of Rs.14000

Q2] A machine is purchased for Rs.50, 000. Its working life is expected to be 20, 000 hours after which the scrap value is expected to be Rs.5000. It is assumed from past experience that,

I] The machine will work for 2000 hours annually.

II] The repair charges will be Rs.20, 000 during the whole period of life of the machine.

III] The power consumption will be 5 units per hour @ Rs.6 per unit.

Other annual standing charges are estimated to be,

A] Rent of the department [machine 1/5<sup>th</sup>] Rs.12, 000

B] Light [12 points] in the department – 2 points engaged in the machine: Rs.10, 000

C] Foreman's salary [1/4<sup>th</sup> time devoted for this machine] Rs.16, 000

D] Insurance premium for the machine [fire insurance] Rs.1000

E] Cotton waste: Rs.1000

Find out the machine hour rate on the basis of the above data.

**Q3]** During the year ended 31<sup>st</sup> March 2008, the profit of a company as per financial profit and loss account was Rs.33248 as given below. Prepare a reconciliation statement and arrive at the profit as per cost accounts using the additional information given.

Profit and Loss Account for the year ended 31<sup>st</sup> March 2008

Particulars	Amount Rs.	Particulars	Amount Rs.
To opening stock	4, 94, 358	By sales	6, 93, 000
To purchases	1, 64, 308	By sundry income	632
Less: Closing stock	1, 50, 242		
	5, 08, 424		
To direct wages	46, 266		
To factory overheads	41, 652		
To administration overheads	19, 690		
To selling expenses	44, 352		
To net profit	33, 248		
Total	6, 93, 632	Total	6, 93, 632

The costing records show,

I] Closing stock: Rs.1, 56, 394

II] Direct wages absorbed: Rs.49, 734

III] Factory overheads absorbed: Rs.39, 428

IV] Administration expenses calculated at 3% of sales

V] Selling expenses absorbed @ 5% of sales.

**Q4]** What are the main features of a job order costing? Give a Pro forma cost sheet under this cost system.

**Q5]** In a process line of XY & Co., the following data for the month of January 2008 are available for the joint products

Particulars	L	M	N
Sales price per kg	Rs.5	Rs.10	Rs.20
Post separation point costs	Rs.10000	Rs.5000	Rs.15000
Output in kg	2500	1000	15000

The pre separation point costs amounted to Rs.20000

The joint products are manufactured in one common process after which they are separated and may undergo further individual processing. The pre separation point costs are apportioned to joint products according to weight You are required to prepare a statement showing the estimated profit or loss for each product and in total.

**Q6]** The effect of price reduction is always to reduce the P/V ratio, to raise the break-even-point, and to shorten the margin of safety. Explain and illustrate by numerical examples.

**Q7]** Write short notes on [Any four]

- I] Objectives of material control
- II] Time booking
- III] Classification of overheads
- IV] Budget manual.
- V] Types of standards