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Paper-8

COST AND MANAGEMENT ACCOUNTING

Test Paper- II/8/CMA/2008/T-1

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 A with B for the following

A	B
Store Ledger	Point of separation
Piece rate system of remuneration	Pre planned cost
Blanket rate	Payment by results
Split off point	A single rate of absorption for the entire organization
Standard cost	Quantitative and monetary record of receipts and issue of materials

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

I] Cost of labor turnover includes preventive and replacement costs.

II] Manufacturing overheads can be identified with specific jobs

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III] Process costing usually does not include a work-in-progress account.

IV] Standard costing works on the principle of exception.

V] Budgeting and forecasting is one and the same.

C] Choose the correct answer for each of the following. Indicate working wherever required.

I] In case of product A, the input in first process is 1000 units, normal loss is 2% of the input, if the output is 990 units, there will be,

A] An abnormal loss of 10 units B] an abnormal gain of 10 units C] neither abnormal loss nor abnormal gain. D] None of these

II] In case of a manufacturing company, fixed cost is Rs.50, 00, 000 p.a. Selling price per unit is Rs.150 and the variable cost per unit is Rs.125, the break even point in units will be,

A] 200000 units B] 150000 units D] 140000 units D] None of these

III] Cost variance is the difference between,

A] Standard cost and marginal cost

B] Standard cost and budgeted cost

C] Standard cost and actual cost

D] None of these

IV] A budget is a projected plan of action in,

A] Physical units

B] Monetary terms

C] Physical units and for monetary terms.

C] None of these

V] Which of the following items included in cost accounts?

A] Transfer to general reserve

B] Charitable donations

C] Notional rent

D] None of the above

Q2] RST Ltd has received an offer of quantity discount on its order of materials as under

Price per tone	Number of tons
❖ Rs.9600	Less than 50

❖ Rs.9360	50 and less than 100
❖ Rs.9120	100 and less than 200
❖ Rs.8880	200 and less than 300
❖ Rs.8640	300 and above

The annual requirement for the material is 500 tons. The ordering cost per order is Rs.12500 and the stock holding cost is estimated at 25% of the material cost per annum

Required: I] Compute the most economical purchase level II] Compute EOQ if there are no quantity discounts and the price per ton is Rs.10500

Q3] It has been observed in a medium size information technology company that the attrition rate amongst the employees is very high. Draft a report to be submitted to the Management, identifying the reasons behind the high attrition rate and suggesting remedies for the same.

Q4] Royal Ltd. has given the following information relating to Process No.001 for the month of May, 2006 :

Opening Work-in-process : Nil

Units introduced : 10,000 units @ Rs.3 per unit

Expenses debited to the process –

Direct materials	:	Rs.14,650
Labour	:	Rs.21,148
Overheads	:	Rs.42,000

Normal process loss : 1% of input.

Closing work-in-process : 350 units. (Degree of completion – Material : 100%; and labour and overheads : 50%)

Finished output : 9,500 units.

Degree of completion of abnormal loss : 80%

Units scrapped as normal loss were sold at Rs.2.50 per unit

Prepare :

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(i) Statement of Equivalent production;

(ii) Statement of cost of finished goods; abnormal loss; and closing work-in-process and

(iii) Process account No.001.

Q5] A retail dealer in garments is currently selling 24, 000 shirts annually. He supplies the following details for the year ended 31st March 2007.

Selling price per shirt: Rs.800

Variable cost per shirt: Rs.600

Fixed Cost:

Staff salaries: Rs.24, 00, 000

General Office Cost: Rs.8, 00, 000

Advertising cost: Rs.8, 00, 000

As a Cost Accountant, you are required to answer the following each part independently

1. Calculate Break Even Point and margin of safety in sales revenue and number of shirts sold
2. Assume that 30, 000 shirts were sold during the year, find out the net profit of the firm
3. Assuming that in the coming year, an additional staff salary of Rs.10, 00, 000 is anticipated, and price of shirt is likely to be increased by 15%, what should be the break-even point in number of shirts and sales

Q6] 'Because a single budget system is normally used to serve several purposes, there is a danger that they may conflict with each other' Do you agree? Discuss

Q7] Write short notes on [Any Four]

I] Material losses

II] Pre determined rate of absorption

III] Operating costing

IV] Inter firm comparison

V] Time booking.

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