

Roll No.

Total No. of Questions – 6

Total No. of Printed Pages – 16

Time Allowed – 3 Hours



Maximum Marks – 100

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Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

Working notes should form part of the answers.

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1. Answer the following :

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(a) ABC Limited manufactures a product 'AM25' using material 'CEE'.

The following information is available regarding material 'CEE' :

Purchase price per unit	₹ 300
Cost of placing an order	₹ 150
Carrying cost per unit per annum	6% of purchase price
Consumption of material 'CEE' per annum	1,94,400 units
Lead time	Average 6 days, Maximum 8 days, Minimum 4 days

Maximum consumption of material 'CEE' per day is 200 kg more than the average consumption per day.

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Required :

Calculate the following in relation to material 'CEE' :

- (i) Economic Order Quantity.
- (ii) Reorder Level
- (iii) Maximum Stock Level.

(Assume 360 days in a year)

- (b) A worker took 60 hours to complete a job in a factory. The normal rate of wages is ₹ 80 per hour. The worker is entitled to receive bonus according to the Halsey Premium Plan. Factory overhead is recovered on the job at ₹ 60 per man hour actually worked. The factory cost of the job is ₹ 37,280 and material cost of the job is ₹ 28,400.

Required :

- (i) Calculate the standard time for completing the job and effective hourly rate under the Halsey Premium Plan.
- (ii) Calculate the effective rate of earnings per hour if wages would have been paid under the Rowan Plan.

- (c) XYZ Limited manufactures three joint products A, B and C from a joint process. Product B is sold at split off point whereas product A and C are sold after further processing. 10% of the quantity of product A is lost in further processing. Data regarding these products for the year ending 31st March, 2023 are as follows :

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	A	B	C
Number of units produced and sold	3,60,000	2,10,000	4,50,000
Selling price per unit at split off point	-	₹ 6	-
Selling price per unit after further processing	₹ 9.50	-	₹ 12
Further processing costs	₹ 8,60,000	-	₹ 10,40,000

The joint production cost upto the split off point at which A, B and C become separable products is ₹ 57,26,000.

Required :

- Prepare a statement showing apportionment of joint cost to the products using Net realizable value method.
- Assume XYZ Limited has received an offer from D Limited to purchase product 'A' at the split off point at ₹ 7 per unit and another company PQR Limited has offered to purchase product 'C' at split off point at ₹ 9 per unit.

Advise whether these offers should be accepted or not ?

- Unique Construction Limited commenced a contract on 01.08.2022. The total contract price was ₹ 96,00,000. The following information was available from their costing records as at 31.03.2023 :

Material consumed	₹ 35,91,000
Wages paid	₹ 9,65,000

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Wages outstanding as on 31.03.2023	₹ 75,000
Plant issued to site on 01.08.2022	₹ 7,50,000
Direct expenses	₹ 1,96,650
General overheads	₹ 2,08,000

A supervisor who was paid ₹ 18,000 per month, had spent 40% of his time on this contract. Plant costing ₹ 60,000 was transferred to other contracts on 31.12.2022. Plant was to be depreciated at 15% per annum on straight line method (SLM) basis. On 31.03.2023, 60% of the contract was completed. The architect's certificate had been issued covering 50% of the contract price.

Prepare a Contract account and show the notional profit or loss as on 31.03.2023.

2. (a) The following data relates to the manufacture of product BXE for the year ended 31st March, 2023 : 10

	Amount (₹)
Value of stock as on 1 st April, 2022	
Raw materials ✓	27,00,000
Work in progress ✓	10,60,000
Finished Goods	25,00,000
Material purchased ✓	2,48,00,000
Freight inward ✓	7,50,000

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Direct wages ✓	42,00,000
Power & Fuel	18,75,000
Cost of special drawings	3,60,000
Trade Discount	4,50,000
Insurance on material procured ✓	15,000
Rent of Factory Building (1/5 th used for office purpose)	7,00,000
Depreciation on machinery	6,25,000
Depreciation on Delivery Vans	1,20,000
Consumable stores and indirect wages	15,20,000
Quality Control cost	9,00,000
Primary packing cost	12,90,000
General Administrative overheads (excluding rent of building)	17,50,000
Salary paid to Marketing Staff	9,60,000
Packing cost for transportation	1,84,000
Value of stock as on 31 st March, 2023	
Raw materials ✓	32,60,000
Work in progress ✓	11,80,000
Finished Goods	28,38,000

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Additional Information :

- Further, some of the finished product was found defective and the defective products were rectified by incurring expenditure of additional factory overheads to the extent of ₹ 33,600. The cost of rectification is not included in details mentioned above.
- An amount of ₹ 1,20,600 was realised by selling scrap and waste generated during the year.

Prepare Cost sheet for the year ended 31st March, 2023 showing :

- Prime cost,
- Factory cost,
- Cost of production,
- Cost of goods sold, and
- Cost of sales.

- (b) HL Limited produces and sells four varieties of beverage. The past data shows different demand patterns for various quarters during the year. The sales quantity and selling price for the month of September 2023 is as follows :

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	Sales Quantity	Selling Price per unit
Hot Coffee	1,40,000 Units	₹ 20/-
Cold Coffee	3,40,000 Units	₹ 40/-
Fruit Juice	4,20,000 Units	₹ 20/-
Carbonated Soft Drink	2,70,000 Units	₹ 20/-

(7)

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For the quarter October to December 2023, it is estimated that due to climate changes the demand for Hot Coffee would increase every month by 50% of the previous month and the demand for Cold Coffee would decrease every month by 30% of the previous month. The demand for Fruit Juice would decrease by 20% in the month of October 2023 and thereafter it will remain constant. HL Limited would be able to sell only 60,000 units, 50,000 units and 30,000 units of Carbonated Soft Drink respectively during the months of October, November and December 2023. There would be no change in the selling price of all the products during the next quarter.

Standard Quantity of closing stock for the period September 2023 to December 2023 is as follows : (in units)

	Hot Coffee	Cold Coffee	Fruit Juice	Carbonated Soft Drink
September 2023	12,000	13,000	11,000	7,500
October 2023	15,000	14,000	12,000	5,500
November 2023	13,000	15,000	10,000	6,000
December 2023	11,000	16,000	13,000	7,000

You are required to prepare a Production Budget (in units) and Sales Budget (in units and sales value) for the months of October, November and December 2023.

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3. (a) HCP Ltd. is a manufacturing company having two production departments, P and Q and two service departments, R and S. The budgeted cost information for the month of October 2023 is furnished below :

	₹	Production Departments		Service Departments	
		P ₹	Q ₹	R ₹	S ₹
Indirect material	1,77,500	94,750	49,750	18,270	14,730
Indirect labour	1,55,000	35,000	75,000	15,000	30,000
Factory Rent	75,000				
Depreciation on machinery	37,500				
Power	96,000				
Security Expense for Factory Premises	24,000				
Insurance-machinery	12,000				
Supervisor Expenses	48,000				
Additional information :					
Floor Area (Sq. metres)		1250	750	200	300
Net book value of machinery (₹)		21,00,000	5,00,000	1,00,000	3,00,000
H.P. of machines		800	200	80	120
Machine hours		4,000	1,000	600	800
Number of employees		10	30	6	4
Labour hours		2,000	6,000	1,200	600

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(9)

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The overhead costs of the two service department are distributed using step method in the same order viz. R and S respectively on the following basis :

Department R Number of employees

Department S Machine hours

Required :

- (i) Prepare a statement showing distribution of overheads to various departments, clearly showing the basis of distribution.
- (ii) Calculate the total budgeted overheads for both production departments after the service departments have been re-apportioned to them.
- (iii) Calculate the most appropriate overhead absorption rate for each of the production department.

- (b) Royal Hotel offers three types of rooms to its guests - Deluxe Room, Executive Room and Suite Room. Other information is as follows :-

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	Deluxe Room	Executive Room	Suite Room
Room Tariff per day	₹ 1,500	₹ 2,400	₹ 3,800
No. of rooms	20	10	4
Average occupancy during the year	80%	60%	75%
Housekeeping expenses per day	₹ 280	₹ 320	₹ 425

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The hotel provides complimentary breakfast facility to its executive room and suite room guests while swimming pool facility is provided free of cost only to suite room guests.

The restaurant and swimming pool is run by a contractor. The contractor recovers charges of ₹ 150 per person for breakfast and ₹ 200 per person for using swimming pool facility from Royal Hotel.

Besides the above-mentioned charges, annual fixed expenses are as follows :

Salaries to staff ₹ 57,60,000

Electricity Expenses ₹ 24,00,000

Salaries to staff are apportioned to Deluxe Room, Executive Room and Suite Room in the ratio of 25 : 35 : 40 and electricity expenses are to be apportioned in proportion to occupancy.

You are required to calculate the total profit of each room type on annual basis.

Note : Assume 360 days in a year and double occupancy in each category of room.

4. (a) JH Plastics Limited manufactures three products S, M and L. To date, simple traditional absorption costing system has been used to allocate overheads to products. Total production overheads are allocated on the basis of machine hours. The machine hour rate for allocating production overheads is ₹ 240 per machine hour under the traditional absorption costing system. Selling prices are calculated by adding mark up of 40% of the product cost. Information related to products for the most recent year is as under :

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	Products		
	S	M	L
Units produced and sold	7,500	12,500	9,000
Direct material cost per unit (₹)	158	179	250
Direct labour cost per unit (₹)	40	45	60
Machine hours per unit	0.30	0.40	0.50
Number of Machine setups	120	120	160
Number of purchase orders	90	135	125
Number of inspections	100	160	140

The management wishes to introduce activity-based method (ABC) system of attributing production overheads to products and has identified major cost pools for production overheads and their associated cost drivers as follows :

Cost pool	Amount	Cost driver
Purchasing Department Cost	₹ 7,00,000	Number of Purchase orders
Machine setup Cost	₹ 9,00,000	Number of Machine setups
Quality Control Cost	₹ 6,56,000	Number of inspections
Machining Cost	₹ 5,64,000	Machine hours

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Required :

- (i) Calculate the total cost per unit and selling price per unit for each of the three products using :
 - (a) The traditional costing approach currently used by JH Plastics Limited;
 - (b) Activity based costing (ABC) approach.
- (ii) Calculate the difference in selling price per unit as per (a) and (b) above and show which product is under-priced or over-priced.

- (b) R Ltd. produces and sells 60,000 units of product 'AN', at its Noida Plant. The selling price of the product is ₹ 15 per unit. The variable cost is 80% of selling price per unit. Fixed cost during this period is ₹ 4,20,000. The company is continuously suffering losses, and management plans to shut down the Noida Plant.

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The fixed cost is expected to be reduced by ₹ 2,50,000.

Additional costs of plant shut down are expected at ₹ 25,000.

You are required to comment on :

- (i) Whether the Noida plant be shut down ?
- (ii) Find the shut-down point in units.

(13)

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(c) A product passes through two processes; Process A and Process B.

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The output of Process A is treated as input of Process B.

The following information has been furnished :

	Process A	Process B
Input Material 78,000 kg. @ ₹ 5	₹ 3,90,000	—
Indirect Material	—	₹ 34,320
Wages	₹ 2,85,000	₹ 3,30,000
Overhead	₹ 1,67,400	₹ 1,11,600
Output transferred to Process B	68,640 kgs	
Transfer to Finished Stock		69,000 kgs
Normal loss of input material (weight in kgs.)	7,800 kgs	240 kgs

There is no realisable value for normal loss. No stock of raw materials on work-in-process was left at the end.

You are required to prepare the Process account for each Process.

5. (a) PQR Alloys Ltd. uses a standard costing system.

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Budgeted information for the year :

Budgeted output	84,000 units
Variable Factory Overhead per unit	₹ 16
Standard time for one unit of output	0.80 machine hour
Fixed factory overheads	₹ 6,72,000

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Actual results for the year :

Actual output	87,600 units
Variable Overhead efficiency variance	₹ 67,200 (A)
Actual Fixed factory overheads	₹ 7,05,000
Actual variable factory overheads	₹ 14,37,000

Required :

Calculate the following variances clearly indicating Adverse(A) or Favourable (F):

- Variable factory overhead expenditure variance.
- Fixed factory overhead expenditure variance.
- Fixed factory overhead efficiency variance.
- Fixed factory overhead capacity variance.

(b) The following data relate to the manufacture of a product 'VD-100' during the month of October 2023 :

Good units produced	12,600
Units Sold	11,800
Direct wages	₹ 8,82,000
Administrative Overheads	₹ 4,72,000
Selling price per unit	₹ 416

Each unit produced requires 2 kg. of material 'Z'. Cost of material 'Z' is ₹ 72 per kg. 10% of the production has been scrapped as bad and fetches ₹ 45 per unit. Factory overheads are 80% of wages. Selling and distribution overheads are ₹ 54 per unit sold. There is no opening or closing stock of material and work in progress.

You are required to find out total cost of sales and profit for the month of October 2023.

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(15)

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(c) Construct journal entries in the following situations assuming that cost and financial transactions are integrated : 4

(i) Purchase of raw material	₹ 4,40,000
(ii) Direct Material issued to production	₹ 3,60,000
(iii) Wages charged to production	₹ 80,000
(iv) Manufacturing overheads charged to production	₹ 1,32,000

6. Answer any four of the following :

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(a) Explain very briefly the following terms used in Cost and Management Accounting :

- (i) Pre-determined Cost
- (ii) Estimated Cost
- (iii) Imputed Cost
- (iv) Discretionary Cost

(b) State with reasons whether the following independent statements are true or false :

- (i) Under LIFO method, in the period of falling prices, lower income is reported and income-tax liability is reduced.
- (ii) Under VED analysis, inventories are classified on the basis of cost of individual items.
- (iii) Material requisition note is prepared by the store keeper.

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(16)

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- (iv) Simple average pricing method is suitable when quantity purchased under each lot is different and prices fluctuate considerably.
- (v) Bin card and stores ledger are maintained by the purchasing department.
- (c) What do you mean by employee productivity ? Point out the factors which must be taken into consideration for increasing employee productivity.
- (d) Explain very briefly the following terms :
- (i) Retention Money
 - (ii) Escalation Clause
 - (iii) Co-Products
 - (iv) Job Costing
 - (v) Process Costing
- (e) What is meant by cost driver ? Give its different categories. Suggest suitable cost drivers (at least two) in the following business functions :
- (i) Distribution
 - (ii) Research and Development
 - (iii) Customer services

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