



The Institute of Chartered Accountants of India

Code: IN3CM793889
Subject : COST AND MANAGEMENT ACCOUNTING

Total Marks: 100
Marks Obtained : 89.5

Number of Answer Books used : Main +1..... additional sheets

For use by ICAI only

793889

26 NOV 2020



Q.No.	To be ticked (✓) by the candidate against the Questions answered	Marks Awarded (To be filled by Examiner)					Total
		a	b	c	d	e	
1	✓						
2	✓						
3	✓						
4	✓						
5	✓						
6							
7							
8							
9							
10							
11							
12							
13							
14							
Total							

ICAI

Use only Blue / Black Ball Point Pen to write and shade the circles.
AVOID RED PEN.
Write the marks in the boxes before shading the respective circles.

Total Marks awarded

0	0
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9

Total Marks awarded (in words) _____

Examiner's Signature _____



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INSTRUCTIONS TO THE CANDIDATE

Answers are not to be written on this page

1. Answers should be written in figures and words in the allotted space at the right hand corner of the paper only and nowhere else including additional answer book/s and graph paper.
2. Roll number should be written in the box in numbers and darken the appropriate circles of the OMR form provided in the right hand corner of the cover page with **Black / Blue** ball point pen.
3. Fill particulars such as name of Examination, Group No., Paper No. and subject at the appropriate space at the left hand upper corner.
4. Remove the Bar Code sticker of the particular paper from the Attendance sheet and affix the same on the box provided in the right hand corner of the cover page.
5. Since a machine will read the Roll no., please check and ensure that Roll number written in numbers, words and circles darkened are correct. In case any candidate fills this information wrongly, Institute will not take any responsibility for rectifying the mistake.
6. The answers should be written neatly and legibly
7. The answer to each question must be commenced on a fresh page and question number prominently written at the top of each answer. Alternatively, the question number should be distinctly written in the margin.
8. The answer to each question in all parts should be fully completed in one page or in a consecutive set of pages, before the next question is taken up.
9. Writing of Roll number in place/s other than the space provided for the purpose or writing distinguishing mark, symbols like "OM", "Sri", "Jesus", "786", etc., will tantamount to adoption of "unfair means"
10. Before submission of answer book to the invigilator take care to score out (X) blank pages, if any, that you might have left.



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Ques 2

2A

Particulars	Per unit	Total cost
Direct Materials	6.67	266,667
Direct Wages	7	2,80,000
Prime cost	13.67	5,46,667
Production Overhead	1.2	48,000
Administration Overhead (2,80,000/200)	14	5,60,000
Cost of production	28.87	11,54,667
Less: closing finished goods $\left(\frac{11,54,667}{40,000} \times 4,000 \right)$	28.87	11,54,667
Cost of goods sold	28.87	10,39,200
Selling cost	1	36,000
Total cost	29.87	10,75,200
Profit (Balancing fig.)	0.13	4,800
Sales	30	10,80,000



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WN1: Let Direct Mat. for Super Pan be x

$$\therefore 8,00,000 = 2x + x$$

$$\therefore x = \frac{8,00,000}{3} = 2,66,666.7$$

(approx)

1 2aStep7

WN2: Let Direct wages of Super Pan be x

$$\therefore 4,48,000 = x + 0.6x$$

$$\therefore x = \underline{52,80,000}$$



WN3: Total Production units =

$$40,000 + 1,20,000$$
$$= 1,60,000$$

$$\therefore \text{Per unit} = \frac{1,92,000}{1,60,000}$$

$$= \underline{\underline{1.2 \text{ per unit}}}$$

5 2a

WN4: Administration Overhead assumed as related to production

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WMS: closing stock = $40,000 - 36,000$
 $= 4000 \text{ units}$

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2B (i) Statement showing distribution of Overheads

Particulars	Basis	P	Q	R	X	Y
Direct wages	Given	-	-	-	2000	800
Rent and Rates	Area	2000	2500	3500	1000	1000
General Lighting	Light Points	200	100	150	50	100
Indirect Wages	Direct Wages	1250	375	1125	500	200
Power	HP of Machines	1000	800	1000	200	500
Depreciation on Machines	Value of Machine	20,000	16,000	20,000	4,000	10,000
Sundries	Direct Wages	5000	1500	4500	2000	800
Total		29450	21275	30275	9750	13400

2bStep1

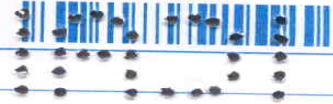


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(ii) Let total expenses of department
X be 'x' and Y be 'y'

$$\therefore X = 9750 + 0.1Y \quad \text{--- (1)}$$

$$Y = 13400 + 0.1X \quad \text{--- (2)}$$

Substituting eq. (1) in (2), we get

$$Y = 13400 + 0.1(9750 + 0.1Y)$$

$$Y = 13400 + 975 + 0.01Y$$

$$\therefore 0.99Y = 14375$$

$$\therefore Y = \underline{14520}$$

$$\therefore X = 9750 + 0.1(14520)$$

$$X = \underline{11202}$$

3 2bStep2

Calculation of Recovery Rate

Particulars	P	Q	R
Primary Overhead	29450	21275	30275
X (90% of 11,202)	5041	1680	3361
Y (90% of 14520)	5082	3630	4356
Total	39573	26585	37992
Working Hours	13191	7598	14995
Recovery Rate	3	3.50	2.53

2 2bStep3

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(iii) Calculation of total cost of 'A'

Particulars	₹
Direct cost	65
Direct Labour	40
	<hr/>
	105

Add: P (3 × 6)	18
Q (3.50 × 5)	17.5
R (2.53 × 2)	5.06

total cost

 145.56



1 2bStep4

10 2b

15 Q2

(P.T.O)

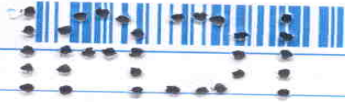


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1 Ques 4

14A (i)

Statement of Equivalent Production Output

Particulars	Units	Material		Labour		Overheads	
		%	Units	%	Units	%	Units
Finished and transferred	36,000	100	36,000	100	36,000	100	36,000
Normal loss*	1,800	-	-	-	-	-	-
Abnormal loss**	3,000	100	3,000	70	2,100	70	2,100
Closing WIP	4,200	100	4,200	50	2,100	50	2,100
Total	45,000		42,200		40,200		40,200

* Normal loss = 4% of (36,000 + 4,200)
 = 1,800 units

** Abnormal loss = 4,800 - 1,800 = 3,000 units

1 4aStep1

(ii) Statement of Cost per Equivalent Unit

Particulars	Material	Labour	Overhead	Total
Opening WIP	1,80,500	32,400	90,000	
Input	36,04,000	4,57,000	15,18,000	



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	(-1 Normal loss (112500))			
3 4aStep2	(1800 x 62.5)			
	Total cost	3672000	482400	1608000
	Equivalent Units	43200	40200	40200
	Cost per unit	85	12	40
		✓	✓	✓

① Cost of Output transferred:
 $36,000 \times 137 \rightarrow 4,932,000$

② Cost of abnormal loss:
 $3,000 \times 85 = 2,55,000$
 $2,100 \times 12 = 25,200$
 $200 \times 40 = 84,000$
Total 3,64,200

③ Cost of closing WIP: ✓
 $4,200 \times 85 = 3,57,000$
 $2,100 \times 12 = 25,200$
 $200 \times 40 = 84,000$
Total 4,66,200

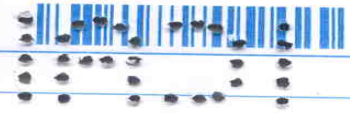


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(iii) Dr Process I A/c Cr

Particulars	Units	₹	Particulars	Units	₹
Material			Normal loss	1200	112500
Opening WIP	3000	302900	Process II	36000	4332000
Material	42,000	364000	(Transfer)		
Labour		450000	Closing WIP	4200	466200
Overheads		1518000	Abnormal loss	3000	364200
		45000		45000	5874900
		5874900			

4 4aStep3

(iv) Dr Abnormal loss A/c Cr

Particulars	Units	₹	Particulars	Units	₹
Process I A/c	1800	112500	Bank	1800	112500
			(Sale)		
	1800	112500		1800	112500

1 4aStep4

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1 4aStep5

(1) Dr Abandonment Loss Ac Cr.

Particulars	Dr	Cr	Particulars	Dr	Cr
Process F	3000	364200	Bank (Sale)	3000	187500
			(3000 x 62.5)		176700
			Profit P/L Ac (BIF)		
	3000	364200		3000	364200

10 4a

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(4B) (P) Calculation of Ordinary Wage rate

Particulars	R	S
Basic Wages	15000	30,000
Dearness Allowance @ 50%	7500	15000
	22,500	45,000
Add: EPF	1050	2250
Add: ESI	300	600
Total Ordinary Wages	23850	47850
Normal Working hrs	200	200
Ordinary wages rate per hr	119.25	239.25

2 4bStep1

4bStep2

$$\text{UN: Question} = \frac{2 \times (\text{Basic} + \text{DA})}{200} \times 20 \text{ hours}$$

$$= \frac{2 \times (22,500)}{200} \times 20 \text{ hours}$$

$$= \boxed{4500}$$

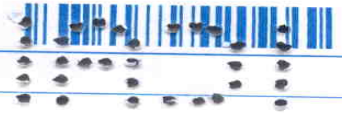


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(ii) Allocation of workwork cost
jobs

	A	B	C
R	22387.5 (23850 × 74%) + 4500*	2385 (23850 × 10%)	3577.5 (23850 × 15%)
S	19140 (47850 × 40%)	9570 (47850 × 20%)	19140 (47850 × 40%)
Total cost	41527.5	11955	22717.5

3 4bStep3

6 4b

*Overtime cost is charged to 'A'

4c

Four objectives of 'Time keeping' in relation to Attendance and Payroll procedures:

- ① The main objective of Time keeping is to keep a check on the time the employees

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have actually spent in working

① It helps in calculating bonuses which are based on the number of hours worked by employee and time allowed to complete the work

② Personnel department require this data in relation to retaining the most working employee.

③ The cost of time keeping can be distributed to different dept. on the basis of number of employees.

④ Time keeping is an easy and cheap process of monitoring employees.

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2 4cStep1

2 4c

18 Q4



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Ques 5

ISA (A)

Calculation of total cost

Particulars	₹
Capital cost (WN 1)	7,50,00,000
Salary: Collector (WN 2)	30,000
Superior	63,000
Security	24,000
Toll Booth Managers	45,000
Electricity	1,50,000
Telephone	1,00,000
Maintenance cost	50,00,000
Total cost	8,04,72,000
Add: Profit @ 30%	2,41,41,600
Total Fare	10,46,13,600

5aStep1

$$\begin{aligned} \text{Cost per km (per month)} &= \frac{\text{Total cost}}{\text{Total km}} \\ &= \frac{8,04,72,000}{120 \text{ km}} \\ &= \underline{\underline{₹ 6,70,600}} \text{ per km per month} \end{aligned}$$

5aStep2

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$$\begin{aligned} \text{Cost per km} &= \frac{6,70,1600 \times 12 \text{ months} \times 10 \text{ years}}{\text{After 10 years total}} \\ &= \frac{8,04,192,000}{100,000,000} \end{aligned}$$

$$\text{(2) Toll rate} = \frac{\text{Total Fare}}{\text{No. of vehicles (WN 3)}}$$

$$= \frac{810,46,13,600}{1,00,000,000}$$

$$\text{Toll Rate per vehicle} = \underline{810.46136} \text{ (approx)} \quad \checkmark$$

$$\text{WN 1: Capital cost} = \frac{900 \text{ crore}}{10 \text{ years} \times 12 \text{ months}}$$

$$= \underline{7.5 \text{ crore}}$$

WN 2: Calculation of Salary:

$$\begin{aligned} \text{Collection Personnel} &= 3 \times 5 \times 200 \times 30 \\ &= \underline{90,000} \end{aligned}$$

$$\begin{aligned} \text{Supervisor} &= 3 \times 2 \times 350 \times 30 \\ &= \underline{63,000} \end{aligned}$$

$$\text{Security} = 2 \times 2 \times 200 \times 30 = \underline{24,000}$$

$$\begin{aligned} \text{Booth Managers} &= 3 \times 1 \times 500 \times 30 \\ &= \underline{45,000} \end{aligned}$$

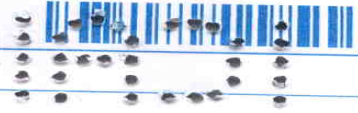


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Q.13: No. of vehicles = $\frac{120 \text{ crore}}{10 \text{ years} \times 12 \text{ months}}$
 $= 1 \text{ crore vehicles}$

Q.13 (i) Calculation of cost driver Rate:

Overheads	₹	Cost driver	Cost driver rate
Ordering costs	64,000	80 purchase orders	₹800 per order
Delivery costs	1,58,200	226 deliveries	₹700 per delivery
Shelf stocking costs	87,560	440 hours	₹199 per hour

1 5bStep1

(ii) Calculation of Total Cost

Particulars	Apple	Orange	Mixed Fruit
Unit produced & sold	10,000	15,000	20,000
	₹	₹	₹

1 5bStep2



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	Material	80,000 (19,000 × 8)	90,000 (15,000 × 6)	1,00,000 (29,000 × 5)	
1 5bStep3	Direct Labour	50,000 (10,000 × 5)	60,000 (15,000 × 4)	60,000 (20,000 × 3)	
	Overheads (CW)	1,26,090	1,02,240	81,430	
	Total cost	2,56,090	2,52,240	2,41,430	✓
1 5bStep4	Cost per unit	25.609	16.816	12.0715	

	CW: Calculation of Overheads		
	Apple	Orange	Mixed Fruit
1 5bStep5	Ordering cost (24 × 800)	25,600 (800 × 32)	11,200 (800 × 14)
	Delivery cost (700 × 110)	77,000 (700 × 110)	36,400 (700 × 52)
1 5bStep6	Shelf stacking cost (199 × 110)	21,890 (199 × 110)	33,830 (199 × 170)
	Total	1,26,090	1,02,240

1 5b



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5c

① Various level activities under 'ABC' methodology are:

① Unit level activities: These level activities are carried out on a ~~single~~ units individually and results in each unit.

② Batch level activities: These level activities are carried out for individual batches as a whole.

③ Department level activities: These level activities are carried out for the dept. as a whole and in a particular dept.

3 5cStep1

④ Job level activities: These level activities are undertaken for each job individually.

3 5c

⑤ Product level activities: These level activities are undertaken for each product individually.

19 Q5

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Ques 3

3A
$$\text{Unit: Budgeted Overhead} = \frac{12,000}{2,400 \text{ hours}}$$
$$\text{rate per hour} = \text{₹5 per hour}$$

Ans: Find Overhead cost Abvariance

2 3aStep1

(1)
$$\text{Fixed Overhead cost Abvariance} = \text{Fixed OH Expenditure} + \text{Fixed OH Abvariance}$$

1 3aStep2

$$\therefore \text{Fixed OH Expenditure Abvariance} = 2,800 (A) - 2,000 (A)$$
$$= \text{₹800 (A)}$$
 ✓

(2)
$$\text{Fixed OH Expenditure Abvariance} = \text{Budgeted Overhead} - \text{Actual Overhead}$$

1 3aStep3

$$\therefore \text{Actual Overhead} = 12,000 - (-800)$$
$$= \text{₹12,800}$$
 ✓

(3)
$$\text{Actual Overhead} = \text{Actual Hours} \times \text{Actual Rate of Recovery}$$
$$\therefore 12,800 = \text{Actual Hours} \times \text{₹8}$$

2 3aStep4

$$\therefore \text{Actual Hours} = \text{1600 hours}$$
 ✓



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(4) Find Overhead Capacity Variance =
Std. OH for ^{actual} hours - Budgeted Overheads

1 3aStep5

$$= (1600 \times ₹5) - ₹12,000$$
$$= ₹4,000 (A) \quad \checkmark$$

(5) Find Overhead cost variance = Absorbed OH - actual OH

2 3aStep6

$$\therefore 2800 (A) = (SR \times SH) - 12,800$$
$$\therefore ₹10,000 = ₹5 \times SH \quad \checkmark$$

$$\therefore SH = \frac{10,000}{5} = 2000 \text{ hours}$$

\therefore standard hours for actual production = $\boxed{2000 \text{ hours}}$

1 3aStep7

(6) Find OH Efficiency Variance = Absorbed OH - Std.
OH for AH
 $= (5 \times 2000) - (5 \times 1600)$

10 3a

$$= \boxed{2000 (F)} \quad \checkmark$$

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3B (f) unit: $A = \text{Annual Demand} = 27,000$
 $O = \text{Order cost} = ₹240$
 $C = \text{Carrying cost} = ₹50 \times 12.5\% = ₹6.25$

$$EOQ = \sqrt{\frac{2AO}{C}}$$
$$= \sqrt{\frac{2 \times 27,000 \times 240}{6.25}}$$
$$= 1,440 \text{ units}$$

3bStep1

	Cost	EOQ 1,440 units	Present 3,000 units
Order in No.		18.75 or 19 (27,000 ÷ 1440)	9 (27,000 ÷ 3,000)
Average Stock		720 (1440 ÷ 2)	1,500 (3,000 ÷ 2)
Ordering cost		4560 (19 × 240)	2160 (9 × 240)
Carrying cost		4500 (720 × 6.25)	9375 (1500 × 6.25)
Total cost		9060	11,535

3bStep2

3bStep3

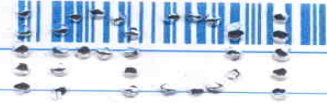


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1 3bStep4

∴ Company can save $\boxed{\text{₹ } 2475}$
(11,535 - 9,060) by ordering
EOQ.

Note: No. of orders are taken in whole number
and not in decimal.

(ii) Re-Order Point = EOQ + (Avg. consumption *
lead time)

$$= 1440 + (75 \times 12)$$

1 3bStep5

$$= \boxed{2340 \text{ units}}$$

$$* \text{Avg. consumption} = \frac{27000}{360} = \frac{75 \text{ units}}{\text{per day}} \quad \checkmark$$

(iii) No. of orders = $\frac{\text{Annual Requirement}}{\text{EOQ}}$

1 3bStep6

$$= \frac{27000}{1440} = 18.75 \approx \boxed{19}$$

9 3b

$$\text{Frequency of Order} = \frac{360 \text{ days}}{19} \quad \checkmark$$

19 Q3

$$= \boxed{18.947 \text{ days}} \\ (\text{approx})$$

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Ques 1

1A

Flexible Budget

Particulars	60%	80%	100%
Units sold (units)	6,000	8,000	10,000
Sales @ ₹100 per unit	6,00,000	8,00,000	10,00,000
Less: Variable cost			
○ @ ₹30 per unit	1,80,000	2,40,000	3,00,000
○ semi variable (variable component)	30,000	40,000	50,000
Contribution	3,90,000	5,20,000	6,50,000
Less: semi variable (fixed components)	60,000	60,000	60,000
Fixed Expenses (units)	1,00,000	1,25,000	1,25,000
Operating Profit	2,30,000	3,35,000	4,65,000

1 1aStep1

1 1aStep2

3 1aStep3

$$\text{units} = \text{No. of units} = \frac{\text{₹6,00,000}}{100} = 6,000 \text{ units}$$

○ presently sold (60%)

$$\text{○ at 80% level} = 6,000 \div 60\% \times 80\% = 8,000$$

$$\text{○ at 100% level} = 6,000 \div 60\% = 10,000$$



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5 1a

Q12: Fixed cost at and above 80% capacity = $1,00,000 + 25\% \text{ of } 1,00,000$



$= [1,25,000]$

1B

Q13: total available hours of Dept A:

1 1bStep1

Product	Production	Hours per unit	Hours
X	10,000	.6	60,000
Y	12,000	10	1,20,000
Z	20,000	5	1,00,000
Total			2,80,000



Q14: calculation of contribution per unit

1 1bStep2

Particulars	X	Y	Z
Direct Materials	160	120	80
Variable OH	8	20	12
Direct Labour:			
Dept A	24 (6x4)	40 (10x4)	20 (5x4)
Dept B	48 (6x8)	120 (15x8)	88 (11x8)
Total cost	240	300	200

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25



Selling Price per unit	312	400	240
Contribution per unit	72	100	40

∴ Since, contribution of Product Y is maximum, ~~the~~
 ∴ Product Y should be produced till highest level
 then Product X and then Product Z.

	Product X	Product Y	Product Z
∴ Product Y Production =	16,000		
X Production =	12,000		
Z* Production =	3,600		

* Z production will be restricted to 3600 because
 hours available for Z of Dept A is only 48,000 hours
 $[2,80,000 - (16,000 \times 10) - (12,000 \times 6)]$

∴ Calculation of Total Contribution

Particulars	X	Y	Z
Produced & Sold	12,000	16,000	3,600
Direct Materials	19,20,000	19,20,000	7,68,000
Variable Overheads	36,000	3,20,000	1,15,200
Direct Labour:			
Dept A	2,88,000	6,40,000	1,92,000
Dept B	576,000	19,20,000	8,44,800
Total variable cost	28,80,000	48,00,000	23,04,000
Sales	37,44,000	64,00,000	23,04,000
Contribution	8,64,000	16,00,000	3,84,000
Total contribution			28,48,000

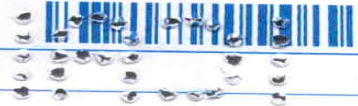


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1c WN1: JOINT COST:

Material (6750 x 80) = ₹ 5,40,000

Processing cost:

labour cost (2,25,000 x 66%) = ₹ 1,48,500

other (2,25,000 x 24%) = ₹ 76,500

Total cost = ₹ 7,65,000

1cStep1

1cStep2

WN2: Material and other cost will be apportioned in M and N in the ratio of [80:12]

2cStep3

N: It is assumed that 'Process loss' is 'Normal loss'.

Comprehensive cost statement

Costs	Total	M	N
Material	5,40,000	4,69,565 (5,40,000 x 80 ÷ 92)	70,435 (5,40,000 x 12 ÷ 92)
labour cost	1,48,500 2,25,000	82,150 1,48,500 (2,25,000 x 100 ÷ 180)	66,000 1,00,000 (2,25,000 x 80 ÷ 180)
other cost	76,500	66,522 (76,500 x 80 ÷ 92)	9,978 (76,500 x 12 ÷ 92)
Total cost	7,65,000	6,18,587	1,46,413

1cStep4

5c 1c

Alternatively, process loss may be considered as Abnormal loss and answer will change accordingly as material cost in

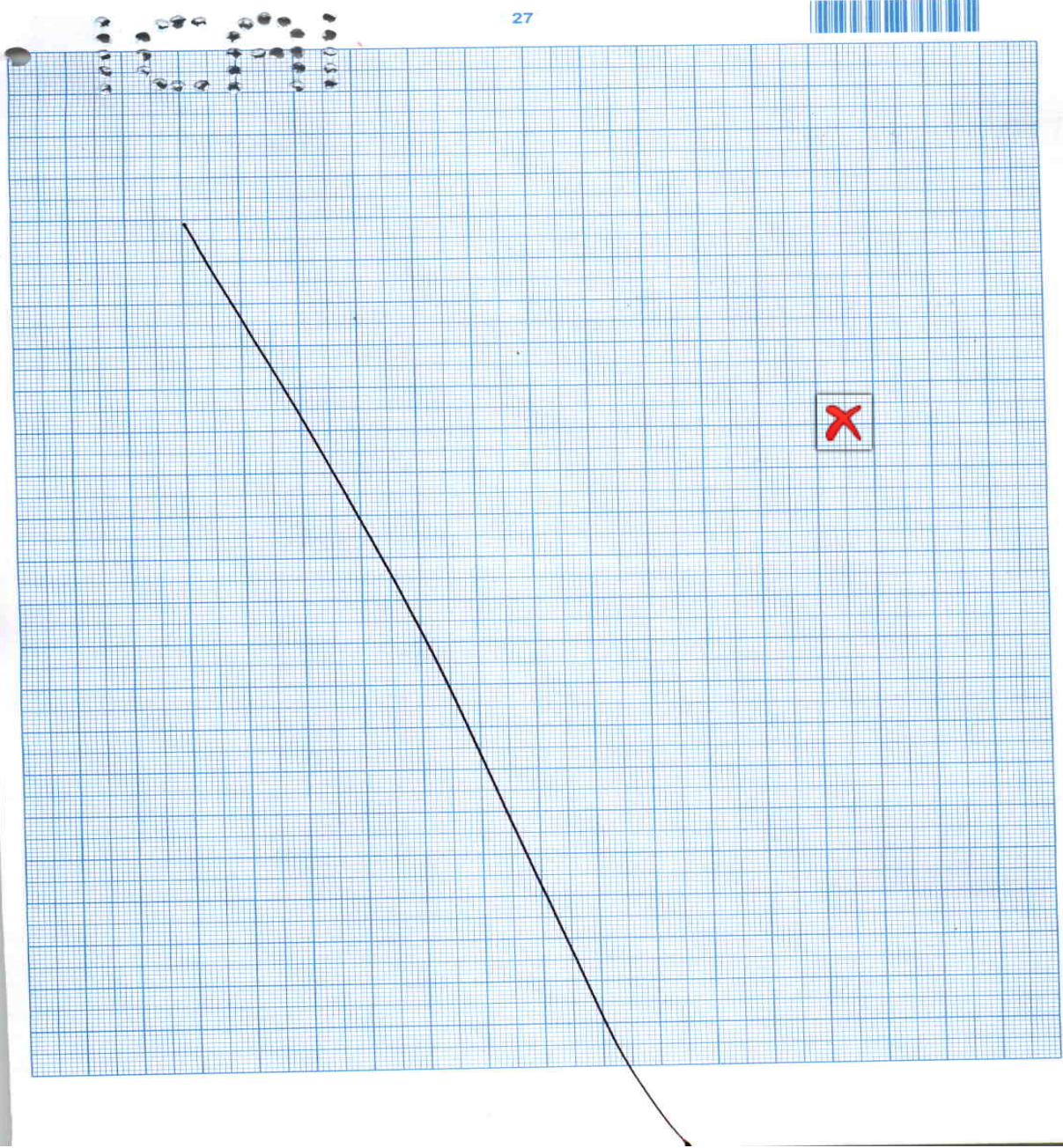


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1D WN1: Since, work certified only includes ~~cost of materials consumed~~, therefore ~~it will be considered for calculating work certified.~~

$$\begin{aligned} \text{WN1: Materials at beginning} &= \frac{1,00,000}{125\%} \\ &= \underline{\underline{₹80,000}} \end{aligned}$$

$$\begin{aligned} \text{WN2: wages rate at} \\ \text{beginning} &= \frac{45,000 + 5,000}{125\%} \quad \checkmark \\ &= \underline{\underline{₹40,000}} \end{aligned}$$

$$\begin{aligned} \text{WN3: Rise in Material prices beyond 5\%} \\ &= 1,00,000 - (80,000 \times 105\%) \\ &= \underline{\underline{₹16,000}} \end{aligned}$$

0.5 1dStep1

$$\begin{aligned} \therefore \text{Rise in contract price} &= 25\% \text{ of } ₹16,000 \\ &= \underline{\underline{₹4,000}} \end{aligned}$$

$$\begin{aligned} \text{WN4: Rise in wages rate beyond 5\%} \\ &= 50,000 - (40,000 \times 105\%) \\ &= \underline{\underline{₹8,000}} \end{aligned}$$

$$\begin{aligned} \therefore \text{Rise in contract price} &= 25\% \text{ of } ₹8,000 \\ &= \underline{\underline{₹2,000}} \quad \checkmark \end{aligned}$$

0 1dStep2



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Addl. Book No. 4

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

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ADDITIONAL ANSWER BOOK

$$\begin{aligned} \text{New contract Price} &= ₹5,00,000 + \frac{4,000}{2,00,000} \\ &+ 2,000 \\ &= \boxed{₹5,06,000} \end{aligned}$$

∴ Value of work certified after taking effect of Escalation clause:

2 1dStep3

Particulars	₹
Actual	2,00,000
Material	4,000
(-) Material in hand	(1,000)
($\frac{4,000 \times 25,000}{1,00,000}$)	
Wages Rate	2,000
Contract work certified	2,05,000

1 1dStep4

3.5 1d

18.5 Q1



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Result Overview

Awarded Marks: 89.5

Max Marks:100

NA Not Attempted

O Optional

M Marked

Q1_Compulsary (Score: 18.5/20)

Question No	Awarded Marks	Maximum Marks	Status
Q1	18.5	20	M
1a	5	5	M
1b	5	5	M
1c	5	5	M
1d	3.5	5	M

Q2_Q6 (Score: 71/80)

Question No	Awarded Marks	Maximum Marks	Status
Q2	15	20	M
2a	5	10	M
2b	10	10	M
Q3	19	20	M
3a	10	10	M
3b	9	10	M
Q4	18	20	M
4a	10	10	M
4b	6	6	M
4c	2	4	M
Q5	19	20	M
5a	10	10	M
5b	6	6	M
5c	3	4	M
Q6	0	20	O

6a	0	5	<input type="radio"/>
6b	0	5	<input type="radio"/>
6c	0	5	<input type="radio"/>
6d	0	5	<input type="radio"/>
6e	0	5	<input type="radio"/>