

# M.K.G CA EDUCATION

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## TEST-1

### CA INTER

(09-01-2022)

## COST AND MANAGEMENT ACCOUNTING

### Topics Covered:

1. Material Cost
2. Labour Cost
3. Marginal Costing
4. Contract Costing
5. Process Costing

Roll No .....

Total No. of Question: 15

Time allowed: 3 hours

Total No. of Printed Pages: 5

Maximum Marks: 100

### DO ALL QUESTIONS

Q.1 Following costs were incurred in producing 800 M.T. of M. S. Rods:

Materials	₹3,80,000
Labour	₹1,60,000
Processing Charges	₹ 89,560
	-----
Total Cost	₹ 6,29,560

Of the total output 15% was defective and had to be sold after a discount of 20% off the normal price. The scrap arising out of the production is to be disposed at a cost of ₹8,760. The sale price is calculated to yield 15% profit on sales. **you are required to** find out the normal price as well as the discounted price per M.T. of M. S. Rods. {6}

Q.2 A product passes through three processes – A, B, and C. The details of expenses incurred on the three processes during the year 2022 were as under:

Process	A	B	C
Units issued/introduced	10,000		
Cost per unit	₹100		
Sundry materials	₹28,000	₹15,000	₹8,000
Labour	3,00,000	48,500	65,000
Direct expenses	41,000	53,570	27,360

Office & administration expenses during the year were ₹80,000 and selling expenses were ₹50,000. Actual output of the three processes was: A – 9,200 units, B – 4,200 units and C – 2,100 units. One-half of the output of Process A, two – thirds of the output of Process B was passed on to the next process and the balance was sold. The entire output of Process C was sold. The Selling price is fixed to provide a profit of 20% on cost in process A, 25% on cost in process B & 50% of selling price in process C. The normal loss of the three processes, calculated on the input of every process was: Process A – 6%, B – 10% and C – 20%. The loss of Process A was sold at ₹10 per unit, that of B at ₹20 per unit and of Process C at ₹30 per unit.

**Prepare** the three Process Accounts, Normal loss and abnormal gain/loss accounts & the Profit and Loss Account. {15}

**Q.3** If Break even sales is 60% of sales, **find** fixed costs when profit is ₹ 1,50,000. Evaluate the required sales for desired profit of 40% of sales. {3}

**Q.4** Anuradha Enterprises manufactures and sells black phenyl worth ₹20,000, white phenyl worth ₹25,000; scented phenyl worth ₹10,000 and naphthalene balls worth ₹5,000 every month. The firm's total fixed costs per month are ₹14,700. The variable costs are: on black phenyl 60%, on white phenyl 68%, on scented phenyl 80%, and on naphthalene balls 40%.

The proprietrix, Ms. Anuradha shah, being basically a science graduate, wonders at what combined sales volume does she really start earning profit. Please help her in arriving at such a sales volume. {4}

**Q.5** A company makes 1,500 units of a product for which the profitability statement is given below:

	₹
Sales	1,20,000
Direct materials	30,000
Direct labour	36,000
Variable OH	15,000
Subtotal variable cost	81,000
Fixed cost	16,800
Total cost	97,800
Profit	22,200

After the first 500 units of production, the company has to pay a premium of ₹ 6 per unit towards overtime labour. The premium so paid has been included in the direct labour cost of ₹ 36,000 given above.

**You are required to** compute the Break -even point. {6}

**Q.6** The following information of a company is available for the year 2006:

	₹
Sales	40,000
Raw materials	20,000
Direct wages	6,000
Variable and fixed OH	10,000
Profit	4,000
Units sold	200 Nos.

In the year 2007, wages rate will increase by 50% and fixed cost will decrease by ₹600. If 300 units are sold in 2007, the total fixed and variable O/H will be 11,400. **How many** units should be

sold in 2007, so that the same amount of profit per unit as in year 2006 may be earned?

{6}

**Q.7** G Ltd. produces a product which has a monthly demand of 4,000 units. The product requires a component X which is purchased at ₹40. For every finished product, two units of component X is required. The ordering cost is ₹ 120 per order and the holding cost is 20% p.a. **You are required to calculate:**

- Economic order quantity.
- If the minimum lot size to be supplied is 20,000 units, what is the extra cost the company has to incur?

{3+3}

**Q.8** P Limited, manufacturer of a special product, follows the policy of EOQ (Economics Order Quantity) for one of its components. The components details are as follows:

Purchase Price Per Component	₹ 200
Cost of an order	100
Annual Cost of Carrying one Unit in Inventory	10% of Purchase Price
Total Cost of Inventory and Ordering Per Annum	Rs.4,000

The company has been offered a discount of 5% on the price of the component provided the lot size is 2,000 components at a time. **You are required to:**

- Compute the EOQ.
- Advise whether the quantity discount offer can be accepted.  
(Assume that the inventory carrying cost does not vary according to the discount policy)
- Would your advice differ if the company is offered 10% discount on a single order?

{3+3+2}

**Q.9** A manufacturer of Surat purchased three Chemicals A, B and C from Bombay. The invoice gave the following information:

Chemical A	3,000 kg. @ ₹4.20 per kg.	₹12,600
Chemical B	5,000 kg. @ ₹3.80 per kg.	19,000
Chemical C	2,000 kg. @ ₹4.75 per kg.	9,500
Sales Tax		2,466
Railway Freight		<u>2,000</u>
	Total Cost	<u>45,566</u>

A shortage of 200 kg. in Chemical A, of 180 kg. in Chemical B and of 150 kg. in Chemical C was noticed due to breakages. At Surat, the manufacturer paid Octroi Duty @ ₹1.50 per kg. He also paid cartage ₹252 for Chemical A, ₹ 635 for Chemical B and ₹ 352 for Chemical C. **Calculate** the stock rate that you would suggest for pricing issue of chemicals assuming a provision of 8% towards further deterioration.

{6}

**Q.10** Rex Limited commenced a contract on 1.4.2016. The total contract price was ₹5,00,000 but Rex Limited accepted the same for ₹4,80,000. It was decided to estimate the total profit and to take to the credit of profit & loss account that proportion of estimated profit on cash basis, which the work completed, bore to the total contract. Actual expenditure till 31.12.2016 and estimated expenditure in 2017 are given below:

Expenses	Actual Till 31.12.16	Estimate For 2017
Materials issued to site	₹75,000	₹1,30,000
Labour paid	55,000	60,000
Accrued Wages	4,000	---
Plant Purchased (original cost)	40,000	---

Misc. Expenses	20,000	35,500
Plant Returned to Stores at original cost	15,000	20,000
	On 31.12.16	As at (30.6.17)
Materials at Site	5,000	Nil
Work Certified	2,00,000	Full
Work uncertified	7,500	Nil
Cash Received	1,80,000	Full

The plant is subject to annual depreciation @ 20% on WDV basis. The contract is likely to be completed on 30.6.17. **You are required** to prepare the contract account for the year ended 31.12.2016. Workings should be clearly given. It is the policy of the company to charge depreciation on time basis. **{12}**

**Q.11** A contractor commenced a building contract on October 1, 2016. The contract price is ₹4,80,000. The following data pertaining to the contract for the 2017-18 has been compiled from his books and is as under:

April 1, 2017	Work-in-progress not certified	₹58,000
	Prepaid Wages	2,000
2017-18	Expenses incurred:	
	Materials issued	1,12,000
	Wages paid	1,08,000
	Hire of plant	20,000
	Other expenses	34,000
March 31, 2018	Materials at site	4,000
	Work-in-progress: Not certified	8,000
	Cash received from contractee	3,64,000

The cash received represents 80% of work certified. It has been estimated that further cost to complete the contract will be Rs.27,000 other than the materials at site as on March 31, 2018. Material costing ₹20,000 sold at a profit of 20% of sales.

**Determine** the profit on the contract for the year 2017-18 on prudent basis, which has to be credited to P/L A/c. **{8}**

**Q.12** In a factory, Ram and Sham produce the same product using the same input of same material and at the same normal wage rate.

Bonus is paid to both of them in the form of normal time wage rate adjusted by the proportion which time saved bears to the standard time for the completion of the product. The time allotted to the product is fifty hours. Ram takes thirty hours and Sham takes forty hours to produce the product. The Factory Cost of the product for Ram is ₹3,100 and for Sham ₹3,280. The Factory Overhead Rate is ₹12 per man-hour.

**Calculate** (i) Normal Wage Rate; (ii) Cost of material used for the product and (iii) the input of material if the unit material cost is ₹ 16. **{6}**

**Q.13** The management of Sunshine Ltd wants to have an idea of the profit lost/foregone as a result of labour turnover last year.

Last year sales accounted to ₹ 66,00,000 and the P/V ratio was 20%. The total number of actual hours worked by the direct labour force was 3.45 lakhs. As a result of the delays by the Personnel Department in filling vacancies due to labour turnover, 75,000 potentially productive hours were lost. The actual direct labour hours included 30,000 hours attributable to training new recruits, out of

which half of the hours were unproductive. The costs incurred consequent on labour turnover revealed on analysis the following:

	₹
Settlement cost due to leaving	35,420
Recruitment costs	20,525
Selection costs	12,750
Training costs	16,105

Assuming that the potential production lost due to labour turnover could have been sold at prevailing prices, ascertain the profit foregone/lost year on account of labour turnover.

{5}

- Q.14** A worker is allowed 60 hours to complete the job on a guaranteed wage of ₹10 per hour. Under the Rowan Plan, he gets on effective hourly wage of ₹ 12 per hour. For the same saving as time, *how* much he will get under the Halsey Plan?

{3}

- Q.15** From the following data provided to you find out the Labour Turnover Rate by applying:  
(a) Flux Method      (b) Replacement Method      (c) Separation Method.

No. of workers on the payroll	
At the beginning of the month	?
At the end of the month	600 Representing 120% of workers in the beginning

During the month, 5 workers left, 20 persons were discharged and 75 workers were recruited. Of these, 10 workers were recruited in the vacancies of those leaving, while the rest engaged for an expansion scheme.

{6}