CA INTER

Test Code – JK-COS-11

(Date: 14-08-2020)

(Marks - 100)

1. **Question 1 is compulsory.**
2. **Answer any four questions out of remaining five questions.**
3. **In case any candidate answers any extra question(s)/sub-question(s) over and above the required number then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) shall be ignored.**
4. **Working notes must form part of answer.**

Q.1 (a) From the following data, find out the value of the closing stock at the end of the month by preparing stores ledger.

January

1	Stock of 10,000 units, total value 20,000
5	Issued 1,000 Units
6	Issued 2,000 Units
10	Sold 500 units at 3 per unit
15	Issued 2,000 Units
20	Sold 3,000 units at 5 per unit
25	Sold 1,000 units at 7 per unit
31	Received 5,000 units at a total value of 10,000

(5 Marks)

(b) A helper, a labourer and two welders were hired to do a particular job. The total labour cost of job was ₹ 27,000 on piece rate basis. Helper worked for 100 hours, labourer worked for 200 hours whereas welders worked for 300 hours each. Time rate to be paid was ₹ 20/Hour. Find out piece rate premium and total wages for each category of worker if the piece rate premium is distributed amongst them on the basis of their time rate wages.

(5 Marks)

(c)

i. Find Sales when:

Profit	20,000
Break Even Point in Value	80,000
Fixed Cost	40,000

ii. Find Profit when:

Break Even Point in Value	16,00,000
Fixed Cost	4,00,000
Sales	20,00,000

(5 Marks)

(d) Overvaluation of Stocks in Cost Accounts

Opening Stock	30,000
Closing Stock	15,000
Preliminary Expenses written off	36,000
Factory Overheads under absorbed	19,000
Administrative Overheads under absorbed	45,500
Interest earned	7,500
Rent received	54,000
Selling Overheads over absorbed	39,000
Bad Debts written off	18,000
Stock Adjustment [Credit in Financial Books]	5,000
Profit as per Cost Accounts	2,91,000

Prepare reconciliation statement and find out profit as per Financial Accounts from the above data.

(5 Marks)

Q.2 (a) After a fire in the factory premises, X Limited could gather following data for June.

Opening Stock	**Amount [₹]**
Raw Materials	2,00,000
Work-in-Progress	4,00,000
Finished Goods	3,77,500
Other Details	
Direct Materials purchased	25,00,000
Direct Labour	22,22,500
Prime Cost	39,77,500

Factory Overheads [i.e. Indirect Manufacturing Overheads] are 40% of conversion cost. Sales is ₹ 75,00,000. Company wants 30% gross margin based on revenue. Total cost of goods available for sale in current year is ₹ 55,57,750. Prepare Cost Sheet. Also, indicate value of closing inventory of Raw Materials, Work-in-Progress and Finished Goods.

(10 Marks)

(b) X Constructions provides you following data for one of its ongoing contracts at the end of the year:

Transactions related to Material	
Materials purchased	40,00,000
Materials issued from Stores	15,00,000
Materials returned to:	
Stores	2,50,000
Supplier	1,50,000
Other Transactions	
Wages paid during the year	60,00,000
Supervisor's Fees	5,10,000
Hire charges of plant	5,00,000
Other expenses [related to contract]	1,00,000
Total general overheads of X Constructions [1/10th chargeable to contract]	18,00,000
Fines paid for violating terms of contract	1,20,000

Additional Data:

	At the beginning of the year	At the end of the year
Work Certified	94,00,000	3,00,00,000
Work Uncertified	1,12,000	3,20,000
Materials at site on hand	80,000	2,00,000
Wages accrued	50,000	30,000

Related information:

1. Material costing ₹ 10,000 was sold at ₹ 12,000.
2. Apart from the plant which was hired, X Constructions purchased an additional plant worth ₹ 10,00,000 at the beginning of the year. After using plant for 6 months, company sold half of the plant, while it continued to use the remaining plant. It is a policy to provide depreciation at the rate of 10% p.a.
3. Contractee pays 80% of Work Certified in cash.

Prepare the following:

1. Contract Account for the current year
2. Contractee's Account for the current year

(10 Marks)

Q.3 (a) X limited provides you with following data for the month for two of its workers.

Particulars	**Anil**	**Bajaj**
Work allotted [in Units]	1,500	3,168
Work rejected [in Units]	400	568
Hours worked	54	48
Basic Wages hourly rate [in ₹]	50	80
Time Allowed [in Hours]	30 Minutes per dozen	2.5 hours per 12 dozen

Normal working hours per week are 42. Overtime is paid in the slot of 6 hours each. First 6 hours of overtime is paid at time plus 1/4 and next 6 hours of overtime is paid at time plus 1/2. Bonus is paid for entire time saved at 1/5th of the basic rate, output rejected was not deducted while paying bonus.

Using this information, calculate for both workers:

1. Bonus earned
2. Gross Wages
3. Direct Wages cost per dozen of finished output assuming that overtime was worked to expedite the delivery at the customer's request.

(10 Marks)

(b) From the following data, prepare Process I A/C, Abnormal Loss A/C and Royalty Payable A/C.

1. Input to Process I: 16,000 kgs at ₹ 1.20/kg
2. Indirect Material: ₹ 336
3. Wages: ₹ 720
4. Overheads: 240% of wages
5. Royalty to be paid for using the process: ₹ 0.15/kg of output
6. Normal Loss: 8% of Input, sold at ₹ 0.50/kg
7. Output of process [transferred to next process]: 14,000 kgs

(10 Marks)

Q.4 (a) X Limited provides you following budgeted data.

Fixed Factory Overheads [in ₹]	10,00,000
Fixed Administration Overheads [related to production] [in ₹]	5,00,000
Machine Hours	30,000
Labour Hours	15,000
Labour Cost [in ₹]	30,00,000
Material Cost [in ₹]	7,50,000

From the above data, you are required to find out absorption rates as per five methods of absorption and also interpret your results in one sentence each.

Also, write in one or two sentences, suitability of all 6 methods of absorption.

(10 Marks)

(b) A tax practitioner operates from a rented premises and pays rent of ₹ 35,000 per month. He caters to three classes of assesses, class A, class B and class C. His fees structure is such that if he wants to earn ₹ 6 then he will charge ₹ 1 to class A assesses per return, ₹ 2 to class B assesses per return and ₹ 3 to class C assesses per return.

Other cost details are as follows:

Salary of article clerks [3 articles]	5,000 per month per article
Salary of other office staff [5 staff members]	10,000 per month per staff member
Salary of peons [2 peons]	2,500 per month per peon
Electricity charges	10,000 per month
Repairs and maintenance	50,000 per annum
Conveyance paid to staff and articles	5,000 per month [in total]
Communication Cost	3,500 per month
Insurance of office	36,000 per annum
Refreshment Expenses	2,500 per month
General Expenses	1,68,500 per annum

He has installed 3 air-conditioners in office, two of them cost ₹ 25,000 each whereas third one cost 35,000. However, it was decided to charge 10% p.a. as depreciation on all air-conditioners.

He owns a car, which is solely used for office purpose. Cost of the car was 11,00,000 with scrap value being 1,00,000 at the end of its useful life, which was considered as 10 years. Car gave an average of 8 km per litre of diesel. Diesel cost was ₹ 50 per litre.

He has always travelled 18,000 kms per annum so far. However, this year he estimates that 18,000 kms was only 90% of capacity and he will operate at 100% capacity.

He expects that he will be able to file 40,000 returns of class A assesses, 30,000 returns of Class B assesses and 50,000 returns of class C assesses in a year and expects to make 20% profit on gross fees.

Find out the fees to be charged per return per assessee for each class of assesses.

(10 Marks)

Q.5 (a) A company incurs carriage of ₹ 3,000 and communication cost of ₹ 2,000 for placing an order with supplier of its raw materials. Over and above this, supplier also charges ₹ 5,000 for loading the goods at its warehouse and unloading the goods at company's warehouse for every order placed. Company also has to maintain the inventory and for this purpose it has hired a place in warehouse. The owner of the warehouse has agreed to charge ₹ 5 per unit per annum to the company for storing its goods. Company follows prudent policies and hence it has bought an insurance for stock of its materials and as per its calculations, it would cost the company ₹ 15 per unit per annum as an insurance cost of its materials. Company has taken a loan to finance its working capital at the rate of 10% per annum, which will be calculated on the purchase cost per unit of raw material, which is ₹ 200 per unit. Company has decided to produce 25,000 units of its finished goods per annum. Process manager has clarified that to produce 1 unit, 2 kgs of raw material will be required. Calculate the quantity to be ordered at a time which will minimise ordering cost per annum as well as holding cost per annum.

Also, calculate total inventory related cost including purchase cost, if company decides to order the quantity as calculated above at one point of time.

(5 Marks)

(b) 1 unit of Product X is made in 5 labour hours for which variable overheads of ₹ 5 per hour will be incurred. Company has produced 10,000 units in all by incurring total variable overheads of ₹ 3,60,000 in 60,000 labour hours. Calculate all variable overhead variances.

(5 Marks)

(c) A company sells its products at 20 ₹ per unit. Variable Cost is ₹ 15 per unit. Total Fixed Cost is ₹ 6,30,000.

From the above data, you are required to calculate:

i. Break Even Point at present - in Volume and in value

ii. Sales Value to earn a net profit of 10% on Sales.

iii. Margin of Safety if profit is ₹ 60,000.

iv. Selling Price Per Unit to bring B.E.P. down to 1,20,000 units.

(10 Marks)

Answer Any Four

Q.6 (a) List down the steps involved in installing a costing system in a manufacturing unit.

(5 Marks)

(b) List down the steps involved in budgetary control technique.

(5 Marks)

(c) Explain the concept of Flexible Budget.

(5 Marks)

(d) Explain Cost Plus Contracts.

(5 Marks)

(e) Explain Fixed Cost and Variable Cost.

(5 Marks)