



## CA INTER

Test Code – JK-COS-12

(Date: 25-09-2020)

(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)** X Limited follows non-integrated accounting system and it has appointed you as a Cost Accountant. It now asks you to pass journal entry for each of the following transactions separately. [Narration not required].

No.	Transactions	Amount
i.	Material purchased on credit	5,00,000
ii.	Materials issued to production	2,00,000
iii.	Materials returned from shop floor	20,000
iv.	Materials issued to factory for repairs	30,000
v.	Materials issued to administration office	20,000
vi.	Materials issued to sales office	10,000
vii.	Freight incurred for transportation of direct materials	5,000
viii.	Freight incurred for transportation of indirect materials	4,000
ix.	Materials lost, to be considered as normal loss	3,000
x.	Materials lost, to be considered as abnormal loss	2,000

(5 Marks)

(b) An owner of food stall sells two types of dosas: plain dosa and masala dosa. The process is such that first plain dosa is made and if required, he adds other materials and plain dosa is processed further into masala dosa.

He can either make 100 plain dosas or as many number of masala dosas. However, he sells plain dosas at ₹ 50 per dosa whereas he sells masala dosa at ₹ 70 per dosa.

The cost of processing 100 plain dosas into masala dosas [including cost of additional material] is ₹ 1,500. Decide which product he should sell depending upon these details. Ignore market demand as a factor for making this decision. Also, note that the only option is to sell either of the product. Combination of both products is not an option.

(5 Marks)

- (c) P/V Ratio is 30% and Margin of Safety is ₹ 4,80,000 [40% of Sales].

Required to find out:

1. Fixed Cost
2. Break Even Sales
3. Amount of Profit on Sales of ₹ 18,00,000.

(5 Marks)

- (d) X Limited provides following details for one of its purchase orders:

Quantity purchased: 1,250 kgs.

Invoice price: ₹ 20 per kg

Freight: 25% on invoice price

G.S.T.: 8% on invoice price including freight

Trade Discount: 10% on invoice price

Insurance: 1% of aggregate net price

Delivery charges: ₹ 250

Cost of Tin Container: ₹ 60 per tin container for 50 kgs.

Rebate is allowed at the rate of 40 per tin container if returned within 6 weeks [you can assume that tin containers were returned in the normal course of business].

Cost of loading/unloading: 0.25% of cost of materials ultimately accepted.

Also, note that one tin container load of material was rejected on inspection (i.e. it was not accepted).

Find out cost of material to the company in total.

(5 Marks)

- Q.2 (a)** A C.A. offers three major services to his clients: Statutory Audit, Internal Audit and Taxation. He wants to find out total cost of these services by apportioning his overheads of various activities using Activity Based Costing system. He provides you with following data:

Activity	Costs	Activity driven by
Handling client queries on phone	1,00,000	Number of minutes spoken on phone
Handling client queries on electronic mails	30,000	Number of mails received from client
Handling client queries by meeting them	25,000	Number of hours spent in client meetings
Appearing in front of tribunal to represent client	2,00,000	Attributable to taxation clients
Costs incurred for stock valuation	50,000	Equally divided between audit clients

**Following additional information was also available:**

The office staff spoke on phone for 120 minutes with those clients who opted for statutory audits, 680 minutes with those clients who opted for internal audit whereas it spoke to taxation clients for 1,200 minutes.

His firm received total 100 mails from audit clients out of which 60 mails were from those clients who opted for statutory audit. Taxation clients sent 100 mails in all. Similarly, total of 50 hours were spent for audit clients while meeting them to solve their queries out of which 30 hours were spent for Internal Audit clients. Taxation clients took 50 hours.

**(10 Marks)**

- (b) A company which produced and sold 50,000 units incurred Direct Material cost of ₹ 1,00,000 and Direct wages cost of ₹ 2,00,000.

It gives you following budgeted data:

Budgeted Factory Overheads ₹ 2,10,000

Budgeted Administration Overheads ₹ 2,80,000

[related to production]

Budgeted Level of Activity 70,000 units

It ended up incurring ₹ 1,20,000 of factory overheads whereas it incurred administration overheads [related to production] of ₹ 2,50,000. Company follows supplementary rate system to adjust under or over absorption.

There were no other expenses or overheads. Find out cost of production by preparing Cost Sheet.

Show effect of supplementary rate clearly in cost sheet. Do not prepare Cost Per Unit column. Assume Sales was ₹ 8,00,000 and find out profit as well.

**(10 Marks)**

**Q.3 (a)** A power generating company provides following data.

**1. Consumption data for materials for the month**

Coal	300 MTs @ ₹ 3,600 per MT
Oil	4.5 MTs @ ₹ 40,000 per MT
Cost of Water extraction	6,00,000 litres @ ₹ 1.25 per litre

**2. Salaries and Wages per month**

For generating plant:

i. 100 workers @ ₹ 3,000 per worker

ii. 150 helpers @ ₹ 1,500 per helper

For Boiler House Staff:

i. Category A: 60 workers @ ₹ 1,500 per worker

ii. Category B: 100 workers @ ₹ 1,000 per worker

**3.** Steam Boiler [as asset in this type of industry] costs ₹ 20,00,000 with a residual value of ₹ 2,00,000 after a useful life of 10 years.

**4.** Cost of generating plant is ₹ 36,00,000 with depreciation to be provided at 10% p.a.

**5.** Repairs and maintenance cost is ₹ 6,00,000 per annum.

**6.** Share of administrative charges was ₹ 75,000 per month.

**7.** Sales value of ash disposal was ₹ 15,000. [Ash is considered as scrap].

**8.** The firm also used electricity for its activities. Its cost was 10% of Total Cost [Total cost included cost of electricity used].

**9.** Number of units generated were 10,00,000 per month out of which 10% was utilised for generator department.

Find out cost per unit of electricity generated for sale.

**(10 Marks)**

- (b) X Papers furnishes you with following data for the month of April. Prepare Cost Sheet from the available data.

Direct Materials

Miscellaneous Materials	2,000 Tons @ ₹ 500 per ton
Paper Pulp	10,000 Tons @ ₹ 800 per ton

Direct Labour

Unskilled	110 Workers for 25 days @ ₹ 400 per day	per worker
Skilled	220 Workers for 25 days @ ₹ 600 per day	per worker

Direct Expenses

Special Moulds	₹ 50,000
Hire Charges for special equipment	₹ 1,00,000

Factory Overheads

Fixed	50% on direct labour cost
Variable	100% on direct labour cost

Administration Overheads [related to production] were recorded at 10% of Factory Cost whereas Selling and distribution overheads were 20% on Cost of Goods Sold. Company produced 10,000 tons of paper, all of which were sold at ₹ 3,000 per ton. Sale of scrap was ₹ 15,000.

(10 Marks)

- Q.4 (a)** Time required to produce a unit is 10 minutes and normal idle time allowed is 20% of time required.

Details of two workers are provided to you, Worker A and Worker B. Both workers produced 600 units, however degree of completion of Worker A was 50% whereas degree of completion of worker B was 75%. Rate per hour was ₹ 75 per hour. Management has decided to pay for incomplete production as well, provided the incomplete units are converted in to completed equivalent units.

Worker A took 40 hours to complete his work whereas Worker B took 60 hours to complete his work.

Calculate total wages under following systems:

- Halsey Premium System
- Rowan Premium System
- Piece Rate System

(10 Marks)

- (b) A product passes through two processes and becomes a finished stock after second process. Details of its two processes are given as follows:

Particulars	Process I	Process II
Opening Stock	75,000	90,000
Inter Process Profit included in opening stock	---	15,000
Direct Materials	1,50,000	1,57,500
Direct Labour	1,12,000	1,12,500
Factory Overheads	1,05,000	45,000
Closing Stock	37,000	45,000

Opening Stock amount of finished goods was 2,25,000, which included inter process Profit of ₹ 82,500. Closing Stock amount of finished goods was 1,12,500.

Output of Process I is transferred to Process II at a profit of 25% on transfer price.

Output of Process II is transferred to Finished Stock at a profit of 20% on transfer price.

Stocks are valued at prime cost throughout. Sales during the period were ₹ 14,00,000.

Prepare Process A/C and Finished Goods [Stock] A/C showing profit element at each stage, assume that company follows weighted average method for stock valuation.

(10 Marks)

- Q.5 (a)** A company provides following information at 100% capacity utilization:

Factory Overheads: ₹ 1,80,000 [50% variable]

Factory Cost: 60% of Sales

Selling Cost: 20% of Sales [75% Variable]

Presently, company operates at 50% capacity, at which level sales are 9,00,000.

Company also anticipates that its sales will increase up to 75% of capacity utilisation.

Prepare profitability statement at 50%, 75% and 100% levels of capacity.

(10 Marks)

(b) Actual data of a company is as follows:

Production: 15,000 Units

Direct Materials Consumed: 24,500 kgs @ ₹ 5.25 per kg

Direct Labour: 96,000 hours @ ₹ 6 per hour

Budgeted Data is as follows:

For 1 Unit

Direct Material: 1.5 kgs @ ₹ 6 per kg

Direct Labour: 6 hours @ ₹ 5 hour

Calculate all possible variances.

(10 Marks)

**Q.6 Answer any four**

(a) List down any 5 factors that must be considered before installing a costing system.

(5 Marks)

(b) Explain the treatment of by product in cost accounting:

i. When they are of small value

ii. When they are of considerable total value

(5 Marks)

(c) Write a note on Escalation Clause with reference to Contract Costing.

(5 Marks)

(d) Mention three vital presumptions on which Cost Volume Profit analysis is based.

(5 Marks)

(e) Give five examples of items which are always considered in Financial Accounts but are never considered in Cost Accounts.

(5 Marks)