

Time: 2 Hours

Marks: 60

Note:

1. All questions are compulsory.
2. Figures to the right indicate full marks.

Q1. Product X is obtained after it is processed through three processes. (15)
The following information is available.

Particulars	Process			
	Total Rs.	I Rs.	II Rs.	III Rs.
Material	1,50,840	52,000	39,600	59,240
Direct wages	1,80,000	40,000	60,000	80,000
Production overheads	1,80,000	-	-	-

10,000 units @ Rs. 6 per unit were introduced in Process I. There was no stock of material or work in progress at the beginning or at the end. The output of each process passes directly to the next process and finally to the finished stock. Production overhead is recovered at 100 % of direct wages.

The following additional data are obtained.

Particulars	Output unit	Percentage of Normal loss to input	Value of Scrap per unit
Process I	9,500	5%	4
Process II	8,400	10%	8
Process III	7,500	10%	10

Prepare Process accounts and Abnormal Loss/ Gain Account and Normal Loss Account.

OR

Q1. The product of a company passes through 3 distinct processes. The following information is obtained from the accounts for the month ending January 31, 2008. (15)

Particulars	Process – A (Rs.)	Process – B (Rs.)	Process - C (Rs.)
Direct Material	7800	5940	8886
Direct Wages	6000	9000	12000
Production Overheads	6000	9000	12000

3000 units @ Rs. 3 each were introduced to process – I. There was no stock of materials or work in progress. The output of each process passes directly to the next process and finally to finished stock A/c.

The following additional data is obtained:

Process	Output	Percentage of Normal Loss to Input	Value of Scrap per Unit (Rs.)
Process – I	2850	5 %	2
Process – II	2520	10 %	4
Process – III	2250	15 %	5

Prepare Process Cost Account, Normal Loss Account and Abnormal Gain or Loss Account.

Q2. Fabled company manufactures conference tables and follows ABC to absorb overhead. The company has chosen the following cost pools and cost drivers for the production overhead: (15)

Cost pool	Production overhead (Rs.)	Cost driver	Cost driver quantity
Machine set up	4,00,000	No of setups	5,000 set up
Production orders	1,00,000	No of orders	200 orders
Machine maintenance	1,60,000	Machine hours	4,000 hours
Parts repairs	2,40,000	Number of parts	8,000 parts

You are required to:

1. Compute the overhead rate for each cost driver
2. The company received a special order of 20 conference tables that requires the following number of support activities:
No. of machine setups: 60, No. of production orders: 25, No. of machine hours: 400, No. of parts to be repaired-50
3. How much production overhead would be charged to this order?
4. Compute the factory cost for this order from the following table:
Direct material Cost per table-4000, direct wages per table: 2500, Direct expense per table-Rs1,000.

OR

Q.2 RBL Bank operated for year assuming that profitability can be increased by increasing rupees volumes. But that has not been the case. Cost analysis has revealed the following: (15)

Activity	Activity Cost (Rs.)	Activity Driver	Activity Capacity
ATM service	2,50,000	No. of ATM transactions	2,50,000
Processing Fees	6,00,000	No. of Files Processed	1,50,000
Statements Issue Charges	7,50,000	No. of statements issued	5,00,000
Customer Inquiries	4,00,000	Telephone minutes	8,00,000

The following annual information on three products was also made available:

Particulars	Savings Accounts (Rs.)	Personal Loans (Rs.)	Credit Cards (Rs.)
ATM transactions	2,00,000	0	50,000
File processed	50,000	50,000	50,000
Statements Issued	2,50,000	1,00,000	1,50,000
Telephone minutes	2,00,000	3,00,000	3,00,000

REQUIRED:

1. Calculate rates for each activity.
2. Using the rates computed in requirement (1), calculate the cost of each product using ABC.

Q3. (a) A manufacturing department set the following standard costs for producing 1,000 units of a product: (7)

Direct materials: ₹20 per unit
Direct labor: ₹15 per unit
Variable overhead: ₹10 per unit

Actual production resulted in 1,200 units with the following actual costs:

Direct materials: ₹24,000
 Direct labor: ₹17,500
 Variable overhead: ₹12,000

Calculate the cost variances for each category and evaluate the department's overall performance.

Q3. (b) From the following information calculate Cost of Sales and Cost of inventory under CPP Method presuming that the firm is following LIFO Method for inventory valuation : (8)

Particulars	Rs.
Inventory as on 1 st January 2022	8,000
Purchases during the 2022	48,000
Inventory as on 31 st Dec.,2022	12,000

Price Index as on 1st Jan 2022 = 100
 Price Index as 31st Dec.2022 = 140
 Average Price Index for 2022 = 125

OR

Q3. X Ltd. supplies spare parts to an aircraft company Y Ltd. The production capacity of X Ltd. facilitates production of any one spare part for a particular period of time. The following are the cost and other information for the production of the two different spare parts A and B.

(15)

Per Unit	Part A	Part B
Alloy Usage	1.6 kgs	1.6 kgs
Machine Time :Machine A	0.6 hrs	0.25 hrs
Machine Time :Machine B	0.5 hrs	0.55 hrs
Target Price	145	115

Total hours available:

Machine A – 4,000 hours and Machine B – 4,500 hours

Alloy available is 13,000 kgs @ Rs.12.50 per kg

Variable overheads per machine hour:

Machine A : Rs. 80 and Machine B Rs.100.

You are required to:

1. Identify the spare part which will optimize contribution at the offered price.

If Y Ltd. reduces target price by 10% and offers Rs.60 per hour of unutilized machine hour, what will be the total contribution from the spare part identified above?

Q.4 (a) Multiple Choice Questions: (any 8) (8)

- Cost allocation basis in activity-based costing should be _____.
 a. cost drivers b. cost pools. c. activity centres d. resources
- ABC is _____.
 a. a method of accounting for material b. a method of allocating indirect cost
 c. another name of benchmarking d. a cost object

3. Which statement is true about a favorable variance in responsibility accounting?
 - a. It indicates that the costs are in line with the budget.
 - b. It shows that costs are higher than budgeted.
 - c. It indicates that performance is worse than expected.
 - d. It suggests that costs are lower than budgeted.
4. Which department's performance might be assessed based on the materials price variance?
 - a. Accounting
 - b. Purchasing
 - c. Sales
 - d. Research & Development
5. Which method of inflation accounting is more commonly used?
 - a. The historical cost method
 - b. The current purchasing power method
 - c. The cash basis method
 - d. The accrual basis method
6. Target cost = Target Selling Price less target _____.
 - a. Cost
 - b. Profit
 - c. marginal cost
 - d. Sales
7. A product which has practically no sales or utility value is _____.
 - a. Waste
 - b. Scrap
 - c. Spoilage
 - d. Defectives
8. The type of process loss that should not affect the cost of inventory is _____.
 - a. Abnormal loss
 - b. normal loss
 - c. Seasonal loss
 - d. standard loss
9. An unfavorable variance in responsibility accounting indicates that:
 - a. Costs are lower than budgeted
 - b. Costs are higher than budgeted
 - c. Costs are exactly as budgeted
 - d. Costs are irrelevant to the budget
10. Which variance compares the actual costs to the standard costs for the actual level of output?
 - a. Volume Variance
 - b. Efficiency Variance
 - c. Flexible Budget Variance
 - d. Price Variance

(b) State whether following statements are true or false: (any 7) (7)

1. Process costing is used when output is produced in a continuous process system, and it is difficult to separate individual units of output.
2. Normal loss is usually expressed as a percentage of the input units of materials.
3. Target Costing is originally promoted in India .
4. The conclusions drawn on the basis of study of final accounts prepared on the basis of historical cost method of accounting may become misleading due to inflation.
5. Responsibility accounting primarily focuses on holding individual managers accountable for the performance of their respective areas within an organization.
6. Responsibility accounting only considers financial measures and does not incorporate non-financial performance indicators.
7. An unfavorable variance in responsibility accounting always suggests poor performance.
8. Traditional method of overhead allocation is more accurate than ABC Costing.
9. ABC costing is used only to allocate the direct cost.
10. ABC costing focuses on reducing costs and improving processes.

OR

Q4. Write a short note: (any 3)

- a. Limitations of Activity Based Costing
- b. Responsibility Accounting and its Components
- c. Objectives of Transfer Pricing
- d. Methods of determination of Profit under Current Cost Accounting (CCA)
- e. Abnormal gain

(15)