

ISBN: 978-93-5586-531-1

Scanner Appendix

CMA Inter Group - I
(Solutions of June 2024)

Paper - 8 : Cost Accounting

Chapter - 1A : Introduction to Cost Accounting

2024 - June [8] (a)

Essentials of a Good Cost Accounting System:

1. **Simple and Useful:** Cost accounting system should be tailor made, practical, simple and capable of meeting the requirement of a business concern.
2. **Accuracy:** The data to be used by the cost accounting system should be accurate, otherwise it may distort the output of the system.
3. **Co-operation and Participation:** Necessary co-operation and participation of executives from various departments of the concern is essential for developing a good system of cost accounting.
4. **Cost-benefit analysis:** The cost of installing and operating the system should not be too high and ultimately pass the cost benefit analysis test.
5. The system of costing should not sacrifice the utility by introducing meticulous and unnecessary details.
6. **Phased Programme:** A carefully phased programme should be prepared by using network analysis for the introduction of the system.
7. **Management:** Management should have a faith in the costing system and should also provide a helping hand for its development and success.

**Chapter - 1B : Preparation of Cost Sheet and Ascertainment of Profit
2024 - June [2] (a)**

Statement of Profit Showing Quotation Price

Direct Material	62,000	
Direct Labour	39,800	
Prime Cost		1,01,800
Production Overheads		40,720
Factory Cost		1,42,520
Selling & Distribution Overhead		28,504
Cost of Sales		1,71,024
Profit		42,756
Quotation Price		2,13,780

Chapter - 2A : Material Costs

2024 - June [8] (b)

Advantages of ABC Analysis:

The advantages of ABC analysis are as follows:

1. Closer and stricter control of those items which represent a major portion of total stock value is maintained.
2. Investment in inventory can be regulated and funds can be utilized in the best possible manner. 'A' class items are ordered as and when need arises, so that the working capital can be utilized in a best possible way.
3. With greater control over the inventories, savings in material cost can be realised.
4. It helps in maintaining enough safety stock for 'C' category items.
5. Scientific and selective control helps in the maintenance of high stock turnover ratio.

Chapter - 2B : Employee Costs
2024 - June [2] (b)

Particulars	Worker		
	R	S	T
(i) Bonus Hours	30	12	16
Amount of Bonus (₹)	450	288	288
(ii) Overtime Premium (₹)	408.33	1,133.33	160
Basic Wages (₹)	2,200	3,520	2,640
Total Wages (₹)	3,058.33	4,941.33	3,088
(iii) Direct Wages Cost Per 100 Saleable Units (₹)	63.72	126.05	48.25

Chapter - 2C : Direct Expenses and Overheads
2024 - June [3] (a)

Let total overhead of department x be "a" & department y be "b".

Then, $a = 46,250 + 0.1b$

or $10a = 4,62,500 + b$

or $4,62,500 = 10a - b$ _____ (i)

$b = 15,750 + 0.1a$

or $10b = 1,57,500 + a$

$1,57,500 = -a + 10b$ _____ (ii)

After solving equation (i) & (ii):

$4,62,500 = 10a - b$ _____ (i) Multiply by 10

$1,57,500 = -a + 10b$ _____ (ii)

$46,25,000 = 100a - 10b$ _____ (i)

$1,57,500 = -a + 10b$

$47,82,500 = 99a$

or $a = 47,82,500/99 = 48,308$

by putting value of a

in Equation (i) $4,62,500 = 10 \times 48,308 - b$

$b = 20,581$

Calculation of Total Overhead of Production Department & Overhead Rate per Hour

Particulars	Production Dept.			Service Dept.	
	A	B	C	X	Y
Allocated Overheads	3,02,000	2,88,000	3,86,000	46,250	15,750
Distribution of Service Dept. Overheads					
X (a) 48,308 (2:3:4:1)	9,662	14,492	19,323	(48,308)	4,831
Y (b) 20,581 (4:2:3:1)	8,233	4,116	6,174	2,058	(20,581)
(i) Total Departmental Overhead (A)	3,19,895	3,06,608	4,11,497	Nil	Nil
Working Hours (B)	12,452	8,056	8,132	Nil	Nil
(ii) Overhead Rate per Hours (A ÷ B)	25.69	38.06	50.60	Nil	Nil

Chapter - 3 : Cost Accounting Standards

2024 - June [7] (b) (i)

Advantage of Cost Accounting Standards:

1. Providing a structured approach to measurement of cost in manufacturing process or service industry;
2. Integrating, harmonizing and standardizing cost accounting principles and practices;
3. Providing guidance to users to achieve uniformity and consistency in classification, measurement, assignment and allocation of costs to products and services;
4. Arriving at the basis of computing the cost product, activity or service where required by legal or regulatory bodies;
5. Enabling practicing members to make use of Cost Accounting Standards in the attestation of General Purpose Cost statements; and
6. Assisting in clear and uniform understanding of all the related issues by various user organizations, government bodies, regulators, research agencies, and academic institutions.

2024 - June [7] (b) (ii)

Functions of the CASB:

1. To issue the framework for the Cost Accounting Standards.
2. To equip the Cost and Management Accounting professionals with better guidelines on Cost Accounting Principles.
3. To assist the members in preparation of uniform cost statements under various statutes.
4. To provide from time-to-time interpretations on Cost Accounting Standards.
5. To issue application guidance relating to particular standard.
6. To propagate the Cost Accounting Standards and to persuade the users to adopt them in the preparation and presentation of general purpose cost statement.
7. To persuade the Government and appropriate authorities to enforce Cost Accounting Standards, to facilitate the adoption thereof, by industry and corporate entities in order to achieve the desired objectives of standardization of Cost Accounting Practices.
8. To educate the users about the utility and need for compliance of Cost Accounting Standards.

2024 - June [8] (c)

As per CAS-7, idle time is defined as “the difference between the time for which the employees are paid/payable and the employees time booked against the cost object”. Idle time happens because due to various causes, for which he is not responsible, the worker remains idle but full wages is paid to him.

Treatment of Idle Time
As per CAS-7, Idle Time Cost shall be assigned direct to the cost object or treated as overheads depending on the economic feasibility and specific circumstances causing such idle time.

Treatment of different categories of Idle Time are as below:	
1. Unavoidable idle time:	In Cost Accounts, this is allowed to remain merged in the Production Order or Standing Order Number on which the worker was otherwise employed.
2. Normal idle time:	It is booked to factory or works overhead. For the purpose of effective control, each type of idle time, i.e., idle time classified according to the causes is allocated to a separate Standing Order Number.
3. Abnormal idle time:	It would usually be heavy in amount involves longer periods and would mostly be beyond the control of the management. Payment for such idle time is not included in cost and is adjusted through the Costing Profit and Loss Account or included in Profit and Loss Account, when the accounts are integrated.

Chapter - 4 : Cost Book Keeping
2024 - June [3] (b)

Journal

Particulars		Dr.	Cr.
		()	()
Work in Progress Control A/c	Dr.	5,00,000	
Factory Overheads Control A/c	Dr.	2,50,000	
To Material Control A/c			7,50,000
Work in Progress Control A/c	Dr.	3,00,000	
Factory Overheads Control A/c	Dr.	50,000	
To Wages Control A/c			3,50,000
Work in Progress Control A/c	Dr.	2,80,000	
Finished Goods Control A/c	Dr.	1,00,000	
Cost of Sales A/c	Dr.	50,000	

To Factory Overheads Control A/c		2,80,000
To Administration Overheads Control A/c		1,00,000
To Selling Overheads Control A/c		50,000
Costing Profit & Loss A/c	Dr.	15,000
To Administration Overheads Control A/c		15,000
Factory Overheads Control A/c	Dr.	30,000
To Costing Profit & Loss A/c		30,000

Chapter - 5B : Contract Costing
2024 - June [4] (b)

Contract Account
(For the year ended 31st March, 2023)

Dr.		Cr.	
Particulars	\`	Particulars	\`
To Material Cost	2,51,000	By Material at site	35,400
To Labour Cost	5,65,600	By Balance c/d	
To Foreman's Salary	81,300	(Total Cost)	10,49,000
To Supervisor's Salary	36,000		
To Depreciation on Machine	14,000		
To Other Expenses	1,36,500		
	10,84,400		10,84,400
To Balance b/d	10,49,000	By Work-in-Progress (Certified & Uncertified)	12,62,250
To Notional Profit c/d	2,13,250		
	12,62,250		12,62,250
To Profit & Loss A/c	1,06,625	By Notional Profit b/d	2,13,250
To Work-in-Progress A/c (Reserve)	1,06,625		
	2,13,250		2,13,250

Chapter - 5C : Process Costing

2024 - June [5] (a)

Statement Showing Monthly Profitability with and without Further Processing

Products	Without Further Processing			Further Processing P into S		
	P	Q	Total	S	Q	Total
Sale Volume (kg)	47,500	95,000	1,42,500	47,500	95,000	1,42,500
Sale Value (₹)	5,70,000	19,00,000	24,70,000	7,12,500	19,00,000	26,12,500
Less: Joint Cost (₹)	5,10,000	17,00,000	22,10,000	6,95,000	17,00,000	23,95,000
Profit (₹)	60,000	2,00,000	2,60,000	17,500	2,00,000	2,17,500

Recommendation:

Total profit without further processing is ₹ 2,60,000, and with further processing is ₹ 2,17,500 only.

Therefore, further processing of P into S is not recommended.

Chapter - 5D : Operating Costing

2024 - June [4] (a)

Computation of Total Equivalent Single Room Suites per Day

Nature of Suites	Occupancy Calculation	Total Occupancy	Equivalent Single Room Suites Occupancy Rate	Equivalent Number
Single R	200 × 80%	160	1	160
Double R	100 × 80%	80	1.25	100
Triple R	60 × 60%	36	1.5	54
Total				314

Statement of Total Cost per Day & Total Room Rent per Day

Variable Cost		
Single R	160 × 220	35,200
Double R	80 × 340	27,200
Triple R	36 × 400	14,400
Total Variable Cost (A)		76,800

Fixed Cost		
Single R	200 × 120	24,000
Double R	100 × 240	24,000
Triple R	60 × 320	19,200
Total Fixed Cost		67,200
Total Cost per Days		1,44,000
Add: Margin (20% of Room Rent) or 25% of Cost		36,000
Total Earning per Day		1,80,000

Let X be the rent for single room suite,
then,

$$314 X = 1,80,000$$

$$X = 1,80,000 \div 314$$

$$X = 573.25 \text{ or } 573$$

$$\therefore \text{Single Room Rent} = 573$$

$$\text{Double Room Rent} = 573 \times 1.25 = 716$$

$$\text{Triple Room Rent} = 573 \times 1.5 = 880$$

Chapter - 6A : Marginal Costing

2024 - June [6]

Statement of Profitability

Contribution:		
Local Sale –A	1,62,000	
–B	72,000	
Export Sale –B	48,000	
Total Contribution		2,82,000
Fixed Cost		1,44,000
Net Profit		1,38,000

Advice: The company should accept offer received from UK and export

3,000 units resulting net profit of ₹ 1,38,000.

Chapter - 6B : Standard Costing and Variance Analysis
2024 - June [5] (b)

Statement Showing Standard & Actual Labour Cost

Labour/Worker	Std. Labour Hours	Std. Rate	Std. Cost	Actual Hours	Actual Rate	Actual Cost
Grade P	4,800 (60 × 80)	2.5	12,000	4,840 (55 × 88)	3	14,520
Q	3,200 (40 × 80)	1.75	5,600	2,640 (30 × 88)	2	5,280
R	4,000 (50 × 80)	1.25	5,000	6,160 (70 × 88)	1	6,160
Total	12,000		22,600	13,640		25,960

- (i) Labour Cost Variance = Std. Cost – Actual Cost
 or (Std. Labour Hours × Std. Rate) – (Actual Hours × Actual Rate)
 = 22,600 – 25,960
 = 3,360 A
- (ii) Labour Rate Variance
 =(Std. Wage Rate – Actual Wage Rate) × Actual Wages Hours
 P = (2.5 - 3) × 4,840 = 2,420 (A)
 Q = (1.75 - 2) × 2,640 = 660 (A)
 R = (1.25 - 1) × 6,160 = 1,540 (F)
1,540 (A)
- (iii) Labour Efficiency Variance = (Std. Hours – Actual Hours) × Std. Wage Rate
 P = (4,800 - 4,840) × 2.5 = 100 (A)
 Q = (3,200 - 2,640) × 1.75 = 980 (F)
 R = (4,000 - 6,160) × 1.25 = 2,700 (A)

1,820 (A)

(iv) Labour Revised Efficiency Variance = (Std. Hours – Actual Hours in Std. Ratio) × Std. Wage Rate

$$P = (4,800 - 5,456) \times 2.5 = 1,640.00 \text{ (A)}$$

$$Q = (3,200 - 3,637) \times 1.75 = 764.75 \text{ (A)}$$

$$R = (4,000 - 4,547) \times 1.25 = 683.75 \text{ (A)}$$

3,088.50 (A)

(v) Labour Mix Variance = (Actual Hours Worked in Std. Ratio – Actual Hours) × Std. Wage Rate

$$P = (5,456 - 4,840) \times 2.5 = 1,540.50 \text{ (A)}$$

$$Q = (3,637 - 2,640) \times 1.75 = 1,744.75 \text{ (F)}$$

$$R = (4,547 - 6,160) \times 1.25 = 2,016.25 \text{ (A)}$$

1,268.50 (A)

Chapter - 6C : Budget and Budgetary Control
2024 - June [7] (a)

Cash Budget
(For October to December, 2023)

Particulars	Oct. (₹)	Nov. (₹)	Dec. (₹)
Cash Balance	2,70,000	2,54,000	3,24,000
Receipts:			
Cash sales	1,60,000	1,64,000	1,78,000
Collection from debtors	12,60,000	13,50,000	14,40,000
Total Receipts	16,90,000	17,68,000	19,42,000
Payments:			
Cash purchases	96,000	80,000	1,00,000
Payment to Creditors	8,10,000	8,64,000	7,20,000
Wages	3,30,000	3,60,000	3,80,000

Expenses	1,20,000	1,40,000	1,60,000
Advance income tax	—	—	2,00,000
Plant	80,000	—	—
Total Payments	14,36,000	14,44,000	15,60,000
Cash Balance	2,54,000	3,24,000	3,82,000

Chapter - 7 : Objective Questions**2024 - June [1]**

- (i) (b)
- (ii) (b)
- (iii) (d)
- (iv) (c)
- (v) (b)
- (vi) (d)
- (vii) (c)
- (viii) (b)
- (ix) (d)
- (x) (b)
- (xi) (d)
- (xii) (c)
- (xiii) (b)
- (xiv) (d)
- (xv) (b)

Shuchita Prakashan (P) Ltd.

B-45/141 Street No. 5,
Guru Nanak Pura Laxmi Nagar,
Delhi - 110092

Visit us : www.scanneradda.com

