NATIONAL MANAGEMENT COLLEGE – THUDUPATHI

COST ACCOUNTING

TEST – 1 – CMA INTERMEDIATE

TIME: 2 hours 15 min **Maximum Marks: 75**

SECTION – A **(20*1=20 Marks)**

1.which of the following is not an element of works overhead?

1. Sales manager's salary
2. Factory repairman's wages
3. Product inspector's salary
4. Plant manager's salary

2. Costs which are ascertained after they have been incurred are known as
(A) Sunk Costs (B) Imputed Costs (C) Historical Costs (D) Opportunity Costs

3. Prime cost plus variable overheads is known as
(A) Factory Cost (B) Marginal cost (C) Cost of production (D) Total cost

4. In which of the following methods, issue of materials are priced atpre-determined rate?
(A) Specific price method (B) Standard price method (C) Inflated price method (D) Replacement price method

5. Bin card is a record of both quantities and value
(A) True (B) False

6. ________ costs are historical costs which are incurred in the past.

7. The main purpose of cost Accounting is
(A) to maximize profit. (B) to help in inventory valuation. (C) to help in the fixation of selling price. (D) to provide information to management for decision making.

8. Which of the following is considered to be a normal loss of material?
(A) Loss due to accident (B) Pilferage (C) Loss due to breaking the bulk (D) Loss due to careless handling of material

9. Which of the following items is not included in preparation of cost sheet?
(A) Purchase returns (B) Carriage inwards (C) Sales commission (D) Interest paid

10. Bin card maintained by the costing department. (A) True (B) False

11. Charging to a cost center those overheads that result solely for the existence of that cost center is known as (a) Allotment (b) Allocation (c) Absorption (d) Apportionment

12. Slow moving materials have a high turnover ratio (A) True (B) False

13. There is inverse relationship between order size and carrying costs. (A) True (B) False

14. The sum of direct material, direct wages, direct expenses and manufacturing overheads is known as conversion cost. (A) True (B) False

15. In case of materials that suffers loss in weight due to evaporation etc. the issue price of the materials is inflated to cover up the losses (A) True (B) False

16. Royalty payable based on the right to sell is treated as ——————

17. At the economic ordering quantity level, the following is true:
(A) The ordering cost is minimum (B) The carrying cost is minimum (C) The ordering cost is equal to the carrying cost (D) The purchase price is minimum

18. VED analysis is primarily used for control of ——————

19. Imputed costs involve actual cash outlay (A) True (B) False

20. At EOQ total ordering cost per annum is ‘4,000. EOQ in units if carrying cost per unit per annum is ‘ 2.

SECTION –B

1. (A) A store keeper has prepared the below list of items kept in the store of the factory.

Item	Units	Unit cost (‘)
A	12,000	30.00
B	18,000	3.00
C	6,000	35.00
D	750	220.00
E	3,800	75.00
F	400	105.00
G	600	300.00
H	300	350.00

I	3,000	250.00
J	20,000	7.50
K	11,500	27.50
L	2,100	75.00

The store keeper requires your help to classify the items for prioritization. You are required to

APPLY ABC analysis to classify the store items as follows:

Store items which constitutes approx 70%, 20%, and 10% of total value as A, B and C respectively. **8 Marks**

1.(B) At EOQ total ordering cost per annum is '4,000. Find EOQ in units if carrying cost per unit per annum is '2 **2 Marks**

2.EXPLAIN the difference between cost control and cost reduction **5 Marks**

3.M/s. SJ Private Limited manufactures 20000 units of a product per month. The cost of placing an order is ' 1,500. The purchase price of the raw material is ' 100 per kg. The re-order period is 5 to 7 weeks. The consumption of raw materials varies from 200 kg to 300 kg per week. The average consumption being 250 kg .The carrying cost of inventory is 9.75% per annum.

You are required to calculate:

(i) Re-order quantity

(ii) Re-order level

(iii) Maximum level

(iv) Minimum level

(v) Average stock level **(5 Marks)**

4.

The following are the details of receipt and issue of material 'CXE' in a manufacturing Co. during the month of April 2019:

Date	Particulars	Quantity	Rate per kg
April 4	Purchase	3,000	₹ 16
April 8	Issue	1,000	
April 15	Purchase	1,500	₹18
April 20	Issue	1,200	
April 25	Return to supplier out of purchase made on April 15	300	
April 26	Issue	1,000	
April 28	Purchase	500	₹ 17

Opening stock as on 01-04-2019 is 1,000 kg @ ₹ 15 per kg.

On 30^{th} April, 2019 it was found that 50 kg of material 'CXE' was fraudulently misappropriated by the

store assistant and never recovered by the Company.
Required:

(i)Prepare a store ledger account under each of the following method of pricing the issue:
(a) Weighted Average Method
(b) LIFO
(iii) What would be the value of material consumed and value of closing stock as on 30-04-2019 as per these two methods? **(10 Marks)**

5.

From the following particulars with respect to a particular item of materials of a manufacturing company, calculate the best quantity to order:

Ordering quantities (tone)	Price per ton (Rs.)
Less than 250	6.00
250 but less than 800	5.90
800 but less than 2,000	5.80
2,000 but less than 4,000	5.70
4,000 and above	5.60

The annual demand for the material is 4,000 tonnes. Stock holding costs are 25% of material cost p.a. The delivery cost per order is Rs. 6.00. **8**

6.

ZION LTD uses three types of materials A,B and C for production of product-P for which the following data apply:

Raw Material	Usage per Unit Of product (kgs)	Reorder Quantity (kgs)	Price Per Kg (Re.)	Delivery period (in week)			Reorder level (kgs)	Minimum level (kgs)
				Minimum	Average	Maximum		
A	10	10000	0.10	1	2	3	8000	?
B	4	5000	0.30	3	4	5	4750	1550
C	6	10000	0.15	2	3	4	?	2000

Weekly production varies from 175 to 225 units, averaging 200 units of the said product.

What would be the following quantities?
(i) Minimum stock of A,
(ii) Maximum stock of B,
(iii) Re- order level of C,
(iv) Average stock level of A

7.

PANCHAL LTD, a toy manufacturer earns an average net profit of Rs. 1.80 per price on a selling price of Rs. 16.50 by producing and selling 12000 pieces or 60% of the capacity. His cost of sales per toy is as under:

	Amount (Rs.)
Direct material	4.25
Direct wages	1.60
Works Overheads(40% fixed)	7.15
Sales Overheads (30% fixed	0.90

During the current year, he intends to produce the same number of toys but anticipates that fixed cost will go up by 10%. Direct wages and material will increase by 6% and 4% respectively but he has no option of increasing the selling price. Under this situation, he obtains an offer for further sale of 20% of the capacity.

Required:
What minimum price you will recommend for acceptance of the offer to ensure the manufacturer an overall profit of Rs. 30,100? 8
(Show your calculations upto 3 decimal points.)