

Time: 2 Hours**Marks: 60****Note:**

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

Q1. Product DELI is obtained after it is processed through three processes. From the following information you are required to prepare Process account and Normal loss account **(15)**

Particulars	D	E	L
Material Rs.	61,000	61,800	59,240
Direct wages Rs.	45,000	60,000	80,000
Production overheads	100% of Direct Wages	100% of Direct Wages	100% of Direct Wages
Output	9,500	8,400	7,500
Percentage of normal loss	5%	10%	15%
Value of Scrap per unit	4 Rs.	8 Rs.	10 Rs.

10,000 units @ Rs. 6 per unit were introduced in Process D. 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.

OR

Q1. SKT Ltd. is engaged in process industry. During the month August 2023, 2000 units were introduced. in process 'X'. The normal loss was estimated at 5% of input. At the end of the month 1,400 units had been produced and transferred to process 'Y'. 460 units were incomplete and 140 units, after passing through fully the entire process had to be scrapped. **(15)**

The incomplete units had reached the following state of completion

Material	75% Completed
Labour	50% Completed
Overhead	50% Completed
Following are the further information on the process 'X':	
Cost of the 2000 units	Rs. 58,000
Additional Direct materials	Rs. 14,400
Direct labour	Rs. 33,400
Direct overheads	Rs. 16,700
Units scrapped realized	Rs. 10 each

Prepare statement of equivalent production, statement of cost, statement of evaluation and process account

Q2. Mohan & Co. has 3 production departments and 2 service departments. The expenses are to be given below. (15)

Particulars	Rs.	Particulars	Rs.
Insurance	2,000	Consumable store	15,400
Depreciation	30,000	Supervision	22,800
Power	9,000	Rent and rates	10,000
Light	4,000		

The following information available

Bases	Production Departments			Service Departments	
	A	B	C	S1	S2
Area sq.ft	9,000	6,000	7,500	1,500	4,500
H.P x hours x LF	10,800	7,200	--	--	--
Material	34	39	13	4	10
Wages	35	22	27	10	7
Assets Value	2,00,000	2,25,000	50,000	12,500	12,500

1. Prepare the primary distribution statement using the most appropriate basis for apportionment.
2. The production department A, B, C have issued S1 requisition in the ratio of 9:6:5 and S2 request in the ratio of 2:3:1.
3. Prepare the secondary distribution statement on non-reciprocal (direct distribution) basis.

OR

Q2. Sunny & Ltd. 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	Cost driver	Cost driver quantity
Machine set up	4,50,000	No of setups	5,000 set up
Production orders	1,20,000	No of orders	200 orders
Machine maintenance	1,80,000	Machine hours	4,000 hours
Parts repairs	3,20,000	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-5000, direct wages per table: 3000, Direct expense per table-Rs1,500.

Q3. (a) Monika Ltd. Has for divisions. The following data are in respect of them. (07)

Particulars	A	B	C	D
Total Assets	12,00,000	10,00,000	14,00,000	18,00,000
Total Sales	20,00,000	30,00,000	36,00,000	28,00,000
Total Cost	18,00,000	27,00,000	33,60,000	26,00,000
Cost of Capital	14%	18 %	16 %	10 %

You are required to calculate: annual return on investment and residual income

Q3. (b) From the following information of Max and Lax company, calculate Cost of Sales and Cost of inventory under CPP Method presuming that the firm is following LIFO Method for inventory valuation : (08)

Particulars	Rs.
Inventory as on 1 st January 2023	9,000
Purchases during the 2023	50,000
Inventory as on 31 st Dec.,2023	13,000

Price Index as on 1st Jan 2023 = 100

Price Index as 31st Dec.2023 = 150

Average Price Index for 2023 = 125

OR

Q3. ABC & Co. Fixes the inter -divisional transfer price for its product on the basis of the cost plus a return on investment in the division. The budget for division A for the year is as under. (15)

Fixed cost	Rs. 4,50,000
Current assets	Rs. 1,50,000
Annual fixed cost of the division	Rs. 6,00,000
Variable cost per unit of the product	Rs. 10
Budgeted volume	2,00,000 units p.a
Desired ROI	28%

Determine the transfer price for division A, If the volume in units can be increased by 10% . what will be the impact on the transfer price?

Q.4 (a) Multiple Choice Questions: (any 8) (08)

- Cost allocation basis in activity-based costing should be _____.
a. Resources b. Cost pools c. Activity centres d. Cost drivers
- Which statement is true about a favourable variance in responsibility accounting?
a. It indicates that the costs are in line with the budget.
b. It suggests that costs are lower than budgeted.
c. It shows that costs are higher than budgeted.
d. It indicates that performance is worse than expected.

3. The costing techniques that produces a stipulated profit when a product is sold at its estimated market -driven price is termed----
a. Life cycle costing b. Product costing c. Target costing d. Standard Costing
4. The Price that one division of a company charges another division for goods or services provided is called the _____.
a. Market price b. Transfer price c. Outlay price d. Distress price Which
5. 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. 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
10. The Payroll department is most likely considered to be _____.
a. Revenue center b. Cost center c. Accounting center d. Profit center

(b) State whether following statements are true or false: (any7) (07)

1. Normal loss is usually expressed as a percentage of the output units of materials.
2. An unfavorable variance in responsibility accounting always suggests poor performance.
3. Traditional method of overhead allocation is more accurate than ABC Costing.
4. ABC costing is used only to allocate the both direct cost and indirect cost.
5. ABC costing focuses on reducing costs and improving processes.
6. Transfer prices can be used to promote goal congruence among operating segments of an organisation.
7. ROI is not a good measure of divisional performance.
8. Responsibility accounting system should include the revenues and cost of a division.
9. All controllable costs are direct cost.
10. Inflation accounting is used to provide information that is useful to present and potential users in making decisions.

OR

Q4. Write a short note: (any 3) (15)

- a. Importance of Activity Based Costing
- b. Transfer Pricing
- c. Current Cost Accounting (CCA)
- d. Abnormal Loss
- e. Allocation V/s Apportionment.
