

INTERMEDIATE EXAMINATION

June 2026

P-8(CA)
Syllabus 2022

COST ACCOUNTING

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right-hand side indicate full marks.

*Where considered necessary, suitable assumptions may be made
and clearly indicated in the respective answer.*

All working notes should form part of your answer.

Section – A

Answer Question No. 1, which is Compulsory.

- 1. Choose the correct answer from the given alternatives (You may write only the Roman numeral and the alphabet chosen for your answer):** 2×15=30

☒ (i) What does the term 'Opportunity Cost' refer to in cost accounting?

- (A) Fixed manufacturing costs
- (B) Variable selling expenses
- (C) Actual monetary expenditure
- ☒ (D) Cost of the next best alternative foregone

☒ (ii) When material prices fluctuate widely, which of the following methods smoothens out the effect of fluctuations?

- (A) FIFO Method
- (B) LIFO Method
- ☒ (C) Weighted Average Method
- (D) Simple Average Method

☒ (iii) Charging to a cost centre those overheads that result solely for the existence of that cost centre is known as _____.

- (A) Allocation
- ☒ (B) Absorption
- (C) Allotment
- (D) Apportionment

Please Turn Over

(iv) What does CAS-15 cover?

- (A) Borrowing Costs
- (B) Standard Costs
- (C) Cost of Transportation
- ☒ (D) Selling and Distribution Overheads

(v) What does CAS-11 emphasize regarding the treatment of abnormal administrative overheads?

- (A) Attestation by external auditors
- (B) Exclusion from cost calculations
- ☒ (C) Inclusion in cost calculations
- (D) Separate disclosure in footnotes

(vi) AB Ltd. pays a royalty of ₹ 5 lakhs to the State Government on the basis of production. It will be treated as:

- (A) Direct Expenses
- (B) Administration Cost
- (C) Direct Material Cost
- ☒ (D) Factory Overheads

(vii) When costing loss is ₹ 5,600, factory overheads are over-absorbed by ₹ 800 and administration overheads are under-absorbed by ₹ 600, the loss as per financial accounts will be:

- (A) ₹ 4,200
- (B) ₹ 5,400
- ☒ (C) ₹ 5,800
- (D) ₹ 7,000

(viii) In a drug manufacturing company, which method of costing can be applied effectively?

- (A) Job Costing
- ☒ (B) Batch Costing
- (C) Contract Costing
- (D) Operating Costing

(ix) R & Co. calculates prices of different jobs by adding overheads to the prime cost and adding 30% to total costs as a profit margin. Job No. "W-50" was sold for ₹ 845 and incurred overheads of ₹ 347. What was the Prime Cost of the Job?

(A) ₹ 245

~~(B) ₹ 303~~

(C) ₹ 498

(D) ₹ 650

(x) A Truck starts with a load of 40 Metric Tonnes (MT) of goods from Station 'X'. It unloads 16 MT in Station 'Y' and the balance goods in Station 'Z'. On return trip, it reaches Station 'X' with a load of 32 MT, loaded at Station 'Z'. The distance between X to Y, Y to Z and Z to X are 40 kms, 60 kms and 80 kms respectively.

On the basis of above information, "Absolute MT-Kilometres" are _____.

(A) 6,450 MT-Kms

(B) 6,200 MT-Kms

(C) 5,760 MT-kms

~~(D) 5,600 MT-Kms~~

(xi) SM Ltd. manufactures product 'Z' and sells @ ₹ 80 per unit. The variable cost of each product 'Z' is ₹ 60 and the fixed cost for a month is ₹ 17,000. The company wishes to earn a target profit of ₹ 15,000 for the month.

In the above situation, sales volume (in units) required is _____

(A) 1,000 units

(B) 1,500 units

~~(C) 1,600 units~~

(D) 2,000 units

(xii) The sales amount of product 'R' is ₹ 2,00,000. Its variable cost is ₹ 80,000 and fixed cost is ₹ 50,000. The amount of BEP sales will be _____.

(A) ₹ 50,000

(B) ₹ 60,000

☒ (C) ₹ 83,333 •

(D) ₹ 90,000

(xiii) The operations to produce a unit of product M require 9 active hours. Budgeted idle time 10% of total hours paid for is to be incorporated into the standard times for all products. The wage rate is ₹8 per hour. The standard labour cost of one unit of product M is _____.

(A) ₹ 20.00

(B) ₹ 72.00

☒ (C) ₹ 79.20 •

(D) ₹ 80.00

(xiv) Fixed Costs are also known as _____.

☐ (A) Prime Costs

☒ (B) Direct Costs •

(C) Period Costs

(D) Conversion Costs

(xv) Which of the following Budgets facilitates classification of fixed and variable costs?

(A) Cash Budget

☒ (B) Flexible Budget •

(C) Raw Material Budget

(D) Capital Expenditure Budget

Section – B

Answer any five questions from Question No. 2 to 8.

Each question carries 14 marks.

14×5=70

2. (a) PQR Ltd. manufactures and sells standard size of industrial machine. The company submits the following information for the accounting year ended on 31st March, 2026:

Particulars	Amount (₹)
Sales for the year	98,00,000
Purchases of raw material for the year	34,00,000
Direct labour	16,00,000
Inventories at the beginning of the year—	
Work-in-progress	1,20,000
Finished goods	3,60,000
Raw materials inventory—	
At the beginning of the year	85,000
At the end of the year	1,35,000
Inventories at the end of the year—	
Work-in-progress	1,80,000
Finished goods	2,20,000

Factory overheads were 60% of direct labour cost.

Administration overheads were 6% of sales and not related to the production activity.

Selling & distribution overheads were 12% of sales.

Required:

Prepare a Cost and Profit Statement for the year ended on 31st March, 2026.

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- (b) Sun Shine Ltd. buys its annual requirement of 80,000 units of a component 'Beta' in 10 instalments.

Each unit of 'Beta' costs ₹ 5 and the ordering cost is ₹ 25. The inventory carrying cost per annum is estimated at 20% of unit value of 'Beta'.

Required:

(i) Find the total annual cost of the existing inventory policy.

(ii) How much money can be saved by using Economic Order Quantity (EOQ)?

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3. (a) Mohan Ltd. manufactures product-A and absorbs production overheads at a pre-determined rate of ₹ 20 per machine hour. Total production overheads incurred and the actual machine hours for the month of September, 2025 were ₹ 4,00,000 and 20,000 hours respectively. Of the amount of ₹ 4,00,000, ₹ 60,000 became payable due to an award of the Labour Court and ₹ 20,000 was in respect of expenses of the previous year booked in the current month (September, 2025). Actual production was 80,000 units of which 60,000 units were sold.

On analysing the reasons, it was found that 60% of the under-absorbed overheads were due to defective planning and the rest were attributed to the normal cost increase.

Required:

Suggest the treatment of under-absorbed overheads in the Cost Accounts of Mohan Ltd.

- (b) ABC Limited maintains Integrated Accounts of Cost and Financial records. Pass Journal Entries for the following transactions in the books of ABC Limited:

Particulars	Amount (₹)
(i) Issue of Material:	
- Direct	12,00,000
- Indirect	6,00,000
(ii) Allocation of Wages and Salaries:	
- Direct	8,00,000
- Indirect	4,00,000
(iii) Overheads Absorbed in Jobs:	
- Factory	13,50,000
- Administration	6,20,000
- Selling	1,80,000
(iv) Under / Over Absorbed Overheads:	
- Factory (Over)	1,80,000
- Administration (Under)	40,000

Note: Narration is not required to be written.

4. (a) Holiday Homes Ltd. runs a holiday home in a small hill station. It has three types of suites for its customers with a capacity of 300 single rooms, 150 double rooms and 90 triple rooms. The average occupancy of single, double and triple rooms is expected to be 80%, 80% and 60% respectively. The rent for double room has been fixed at 125% and for triple room 150% of the rent of a single room. The costs are as under:

Variable Costs:	Single Rooms	₹ 330 each per day
	Double Rooms	₹ 510 each per day
	Triple Rooms	₹ 600 each per day
Fixed Costs:	Single Rooms	₹ 180 each per day
	Double Rooms	₹ 360 each per day
	Triple Rooms	₹ 480 each per day

The holiday home runs throughout the year of 365 days and earns a margin of safety of 20% on rent of rooms.

Required:

Calculate the rent to be charged for each type of suite (room).

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- (b) Maharaja BuildCon Ltd. undertook a contract on 1st April, 2024 for construction of a building at a Contract Price of ₹ 46,00,000. During the first year 2024-25, following amounts were spent against which a sum of ₹ 16,87,500 (representing 90% of the work certified) was received by the contractor:

	(₹)
Materials used	8,62,500
Wages paid to the workers	3,75,000
Overhead expenses	1,12,500

During the second year 2025-26, the contractor spent the following amounts:

	(₹)
Materials used	11,50,000
Wages paid to the workers	8,50,000
Overhead expenses	2,50,000

In the second year, the contract was completed and a sum of ₹ 26,75,000 was received by the contractor.

Required:

Prepare Contract Account and Contractee's Account for both the years and determine the profits.

5. (a) ABC Ltd. furnishes the following information relating to Process Y for the month of March, 2026:

Process Costs:

Raw Materials	₹ 1,00,000
Labour Cost	₹ 54,000
Overheads	₹ 36,000
Input Units:	20,000 units
Transferred to next process:	16,000 units
Incomplete units:	4,000 units (Completed 100% for materials and 50% for labour and overhead)

Required:

Prepare the following:

- Statement of Equivalent Production
- Statement of Cost
- Statement of Valuation of Work-in-Process
- Process Y Account

- (b) King's Ltd. submits the following information regarding composition and wage rates of labour force engaged on a job which is scheduled to be completed in 40 hours:

Category of Workers	Standard		Actual	
	No. of Workers	Hourly Wage Rate per worker (₹)	No. of Workers	Hourly Wage Rate per worker (₹)
Grade – X	60	5.00	55	6.00
Grade – Y	40	3.50	30	4.00
Grade – Z	50	2.50	70	2.00

The work is actually completed in 44 hours.

Required:

Calculate the following:

- (i) Labour Cost Variance
- (ii) Labour Rate Variance
- (iii) Labour Efficiency Variance
- (iv) Labour Revised Efficiency Variance
- (v) Labour Mix Variance

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6. (a) Mr. Y has ₹ 1,50,000 investment in a business. He wants a 15% profit on his money. From an analysis of recent cost figures, he finds that his variable cost of operating is 60% of sales; his fixed costs are ₹ 75,000 per year.

Required:

- (i) What sales volume must be obtained to break even?
- (ii) What sales volume must be obtained to get his 15% return on investment?
- (iii) What will be the profit if sales volume is decreased to ₹ 2,00,000?

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- (b) Black Box Ltd. can produce three different products from the same raw material using the same production facilities. The requisite labour is available in plenty at ₹ 8 per hour for all products. The supply of raw material, which is imported at ₹ 8 per Kg is limited to 23,500 kg. for the budget period. The variable overheads are ₹ 5.60 per hour. The fixed overheads are ₹ 1,50,000. The selling commission is 10% on sales. Further information is submitted as under:

Product	Market Demand (units)	Selling Price Per unit (₹)	Labour Hours required per unit	Raw Material required per unit (kg.)
A	16,000	30	1	0.7
B	12,000	40	2	0.4
C	10,000	50	1.5	1.5

Required:

Suggest the most suitable sales mix which will maximize the firm's profits. Also determine the profit that will be earned at that level.

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7. (a) RST Ltd. produces and sells a single product. Sales budget for the calendar year 2025 by quarters is as under:

Quarter	First	Second	Third	Fourth
No. of units to be sold	40,000	48,000	60,000	72,000

The year is expected to open with an inventory of 12,000 units of finished products and close with inventory of 16,000 units. Production is customarily scheduled to provide for 70% of the current quarter's sales demand plus 30% of the following quarter demand. The budgeted selling price per unit is ₹ 40 and variable cost per unit is ₹ 35.

Fixed Overheads are ₹ 4,40,000 which are evenly distributed throughout the year.

Required:

- Prepare Quarterly Production Budget for the year.
- Calculate in which quarter of the year the company is expected to achieve Break Even Point (BEP).

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- ~~(b)~~ Summarize the scope and principles of measurement of CAS-10 on "Direct Expenses". 7
- ~~8.~~ ~~(a)~~ Differentiate Financial Accounting from Management Accounting. 4
- ~~(b)~~ Examine the basic qualities involved in a good purchasing procedure. 5
- ~~(c)~~ Enumerate what are the features of Job costing. 5
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