

CMA	CA R. K. Mehta
Test - 17	
Time Allowed : 1 hour 30 Min.	Total Marks: 50 Marks

Q.1: Traditional Method v/s Activity Based Costing. (5 Marks)

Q.2: Job Costing v/s Contract Costing (5 Marks)

Q.3: For the year 2012 - 2013 an organization budgeted output of 50,000 units and overheads of ₹7,00,000. Actual output was equivalent to 60,000 units and actual overheads were ₹ 8,00,000. It was decided to absorb overheads on per unit of output basis. Of the total output 48,000 units were sold during the year. Unsold stock of finished output was 8,000 units and there was work-in-progress of 10,000 units, each unit approximately 40% complete. **Calculate:** (i) Overhead absorption rate, (ii) Extent of over or under absorption, (iii) Supplementary rate, (iv) Accounting entry for dealing over or under absorption. (5 Marks)

Q.4: Calculate **Machine Hour Rate** from the following particulars: -

Cost of machine - ₹ 25,00,000	Working hours (per annum) - 3,000 hours
Salvage value - ₹ 1,25,000	Hours required for maintenance - 400 hours
Estimated Life of machines - 25,000 hours	Setting up time required - 8% of total working hours

Additional information: -

(a) Power 25 units @ ₹ 5 per unit per hour (No power is used during maintenance and set-up).

(b) Cost of repairs and maintenance ₹ 26,000 per annum.

(c) Chemicals required for operating the machine ₹ 2,600 per month.

(d) Overheads chargeable to the machine ₹ 18,000 per month.

(e) Insurance premium (per annum) 2% of the cost of machine

(f) No. of operators - 02 (looking after three other machines also)

(g) Salary per operator per month ₹ 18,500

(5 Marks)

Q.5: ML Auto Ltd is a Manufacturer of auto components and the details of its expenses for the year 2014 are given below:

Opening Stock of Material - ₹ 1,50,000	Direct Labour - ₹ 9,50,000
Closing Stock of Material - ₹ 2,00,000	Factory Overhead - ₹ 3,80,000
Purchase of Material - ₹ 18,50,000	Administrative Overhead - ₹ 2,50,400

During 2015, the Company has received an order from a Car Manufacturer where it estimates that the Cost of Material and Labour will be ₹ 8,00,000 and ₹ 4,50,000 respectively. ML Auto Ltd charges Factory Overhead as a Percentage of Direct Labour and Administrative Overhead as a Percentage of Factory Cost based on previous year's cost. Cost of Delivery of the components at Customer's Premises is estimated at ₹ 45,000.

You are **required** to: -

(i) Calculate the Overhead Recovery Rates based on Actual Costs for 2014.

(ii) Prepare a detailed Cost Statement for the order received in 2015 and the price to be quoted if the Company wants to earn a Profit of 10% on Sales.

(10 Marks)

Q.6: You are given the **following overheads** relating to a factory: -

Factory Rent ₹ 48,000; Power ₹ 23,000; Depreciation ₹ 1,00,000; Store Room Expenses ₹ 30,000; Indirect Material ₹ 60,000; Canteen subsidy ₹ 25,000; Indirect Labour

₹ 90,000; Employer's contribution towards ESI ₹ 50,000; Light ₹ 18,000. Factory supervision ₹ 75,000.

Following are specific cost details relating to its five departments A, B, C, P and Q of which A, B and C are production departments and P and Q are service departments: -

Particulars	Production Departments			Service Departments	
	A	B	C	P	Q
Area (Sq. mts.)	2,000	1,000	500	800	500
Hours worked	1,000	1,000	1,000	500	500
Horse Power of Machine	80	80	30	40	40
Traceable overheads (₹)	50,000	80,000	30,000	20,000	25,000
Value of Plant (₹)	4,00,000	3,00,000	1,00,000	1,50,000	50,000
Direct Material (₹)	1,00,000	1,50,000	1,50,000	1,60,000	40,000
Direct Labour (₹)	2,00,000	1,00,000	1,00,000	30,000	20,000
No. of workers	800	700	500	200	300
No. of Material Requisitions	500	300	1,000	800	400
Light Points	100	30	25	15	10

Depreciation is charged on straight line basis. Overheads of service department P are to be shared by A, B, C and Q in the ratio of 5:3:7:5 and that of department Q are to be shared by A, B, C and P in the ratio of 1:2:3:4.

(10 Marks)

Q.7: The following information relates to the activities of a production department of a factory for a month:

Direct Material Consumed - ₹ 1,80,000	Labour hours worked - 12,000 hours
Direct wages - ₹ 1,50,000	Machine hours worked - 10,000 hours
Factory overheads chargeable to the department - ₹ 1,26,000	

The relevant data relating to one order carried out in the department during the period are as follows:

Material Consumed - ₹ 30,000	Labour hours worked - 1,650 hours
Direct wages - ₹ 24,750	Machine hours worked - 1,200 hours

Compute Factory overhead rates of recovery and the amount of overhead chargeable to the order by the given methods: -

- Direct material cost percentage,
- Direct labour cost percentage,
- Labour hour rate,
- Machine hour rate.

(10 Marks)