COST AND MANAGEMENT ACCOUNTING
TEST PAPER - 11/8/CMA/2008/T-1
PAPER 8

A1

Differential Cost Analysis → Decision Making.
Scatter Diagram → Splitting of semi Variable cost
Value analysis → Promotes Innovation & creativity
ABC Analysis → Inventory management
Job Evaluation → Basis for renumerating emp.

B

(i) False.
(ii) True.
(iii) True.
(iv) True.
(v) False.

C.

(i) (a) Opportunity Cost
(ii) Cost assigned to inventories may have no relationship
(iii) A prod. supervisor's salary when the cost object is Prod. Dept.
(iv) Rs 546207.
(v) ₹ 10.

A2 2) Inter-firm Comparison:-
Inter-firm Comparison is a technique of evaluation and is based

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upon comparison of productivity, efficiency cost profit as yardstick among the different bas business units in a same industry. There are ways available for such comparison:-

1. Where such comparison is made from freely available published information.
2. Where there is voluntary and authentic exchange of information among the different units systematically and scientifically.

5 Integrated Accounting System:-

Integrated Accounting System is a system whereby the accounts are integrated and only a single set of accounts are maintained. This enables a firm to eliminate separate profit and loss A/c under financial accounting and cost accounting systems and only P&L A/c is prepared. The duplication of work is eliminated, thus the cost of operating this system is reduced. Cost data can be available promptly and regularly.

A4 Uniform costing helps for meaningful and valid cost comparison among the members. To stop cut throat competition and create healthy competition. A system of uniform application of the principles of a costing method agreed upon and adopted by the whole or majority of the manufacturer or executives in any specific industry.

Advantages of uniform costing are as follows:

→ Healthy competition:- It ensures to adopt all policies that give reasonable and fair rate of return on the investment.

→ High standards :- Either highly qualified experienced professional and consultants or the experienced members in the industry design uniform costing system.

→ Cost comparisons:- A successful system of uniform costing always helps of the member units to locate the points of inefficiencies in comparison to industry in general and with close rival in particular

AS

Actual Direct labor cost per hr = 96,00,000/960000 = Rs 10 per direct labor hr.

Cost of man hours of potential work lost due to delayed replacement
= 24000 X 10 = 2,40,000.

Direct labor cost if there was no labor turnover=
9600000 + 2,40,000
= 9,84,0000

Calculation of potential total sales if there is no labor turnover

(ii) Hours lost for delayed replacement	24000
Unproductive Hrs 50% of 18000	9000
Total hrs lost	33000
Actual labor hrs spent	960000
Less Unpro.	9000
Prod. labour hours worked	951000

Sales related to 951,500 prod. hrs = Rs. 1200 lakh
Potential Sales lost due to loss of 33000 direct lab.
Rs 1200,00,000/ 951500 X 33000 = 4164028
Total Sales if there was no labour turnover
= 120000000 + 4164028 = 1204164028.

Varable exp if there was no labor turnover:-

420,00,000 / 1200,00,000 x 120416 4028 = 45457414

Thus loss of profit due to labor turnover = 54866624 - 5220000
= 548446624 Answer.

A6 There is under absorption of Rs 15000 It can be ratified using any one of the two method Writing off to P/L A/c - The entire amount of Rs 15000. The Amount of profit will be reduced by the amount as a Result of this writing off

(ii) Supplementary Rate:-

Particulars.	Amt Absorbed	Addi Amt	Total Amt to be charged
Cost of goods	403000	9750	412750
WIP	93000	2250	95250
Stock.	124000	3000	127000
	620050	15000	635000

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Adjustment

(i) Cost of goods sold

= 403000/62000 X 15000 = 9750

(ii) WIP :-

93000/620000 X 15000 = 2250

(iii) Stock of finished goods:-

124000/620000 X 15000 = 3000