

INTERMEDIATE COURSE – FAST (Full Test)
Detailed Test Series – Paper 1

**Paper – 1: Cost &
Management Accounting**

Total No. of Questions in Part I – 16

Total No. of Questions in Part II – 6

Total No. of Pages - 20

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the Institute.
5. Answers to MCQs in Part I are to be mentioned in the first page of your answer copy. Students need to only mention their choice of correct option like (a) or (b) or so. No explanations or reasonings are required for MCQs.
6. Answers to descriptive questions in Part 2 should be given from the next page of your answer sheet
7. **Student should mention their Name, Batch, Course (CA Inter / Final), Subject Name, Date of Test and Test Code as given on top of this sheet on the first page before answering the MCQs.**
8. Once the test is complete, student need to scan the answer sheet and make single pdf file for all the pages and upload on fast test series app. (Help video link shared in mail from fasttestseries.com).
9. Duration of the examination is 1.5 hours. You will be required to upload the answer sheets on the same date / time of test as defined in your live class else the answer sheet will not be evaluated. In such case you should do a self-evaluation using the suggested answer which will be posted in the same folder after one day of the date of test.
10. The FAST examiner team will check the copy and give the marks alongwith feedbacks for your improvements. We take utmost care in checking however being subjective in nature the checking may differ from examiner to examiner.
11. Candidate are advised not to cheat and have self-discipline as these tests are preparing you better for your real exams and hence realistic assessment will help you take corrective actions at the right time.
12. FAST reserves the right to display any answers or answer sheets or share with other students for your benefits without any prior written or express consent.
13. You suggestions on the test paper or evaluation or else can be shared at casj@fast-india.com

PART 1**MULTIPLE CHOICE QUESTION****Maximum Marks :- 30****Case study :- 1**

Popular company produces various articles for student purposes. It has been in industry since last 25 years. Company had a very humble start but gained popularity over the years due to excellent quality products which were sold at very competitive prices. Company has huge reserves and feel that it is also obligated to give back to the society from which it has grown.

Last year management decided to produce and supply special quality school bags, water bottles, & geometry boxes to NGOs, at no price, as a social responsibility. These articles were simple looking but were more durable, that would not have wore-off easily and could have been used for long-term.

This year management wants to add another dimension to this social work. It approached charitable schools and government run schools and offered them the supply of the same articles, at cost. This will help students in these schools to get these things at a very low price compared to market.

The variable costs are ₹100, ₹80, and ₹40 for school bags, water bottles, and geometry boxes, respectively. These articles are made using a single machine.

0.20 hours of machine operation is required for manufacturing 1 unit of school bag. Similarly, machine hours required for each units of water bottle and geometry box is 0.15 hours and 0.10 hours, respectively. Fixed overhead related to machine is 7,40,000 per year. Machine can operate for 8,000 hours in a year.

Company has decided to sell its 80% capacity production in markets. Rest is divided amongst the 2 undergoing social works, equally.

All Schools requests these items in the ratio of 2:3:5, as per their demand by the school students. Company wants to set a price for these articles to be offered to the schools. Management has few questions they need the answers to. They assigned the task to their team. Team made rough calculations but as there were too many people on the team, each came up with different answers. As a Chartered accountant, you have been approached. Understand the case closely, find the correct answers and help management to set a price.

In the context of the above, the following needs to be determined: **Question**

(1 to 5):-

1. What is allocated fixed cost per unit of School bags, water bottles, and geometry boxes? 2
 - (a) 18.5, 13.875, 9.75
 - (b) 18.5, 13.875, 9.25
 - (c) 18.5, 13.785, 9.25
 - (d) 18.5, 13.785, 9.50

2. If the prices were 200, 160, and 100, what would be the overall break- even point in units in relation to fixed cost allocated to these supplies? 2
 - (a) 308.33 units
 - (b) 500 units
 - (c) 508.33 units
 - (d) 1,000 units

3. Find out the maximum number of units of each article that can be given at the prices given in Part (ii). 2

- (a) 61, 92, 154
 - (b) 200, 300, 500
 - (c) 101, 152, 254
 - (d) 100, 150, 250
4. What will be the maximum units that can be supplied to the schools of each article? **2**
- (a) 1103, 1645, 2726
 - (b) 1093, 1655, 2748
 - (c) 1185, 1777, 2962
 - (d) 1133, 1675, 2958
5. What should be the correct price for each item as per the management's decision? **2**
- (a) 118.50, 93.875, 49.75
 - (b) 118.50, 93.785, 49.25
 - (c) 118.50, 93.785, 49.50
 - (d) 118.50, 93.875, 49.25

Case study :- 2

With the rise in carbon dioxide, a greenhouse gas, release in the environment, when fossil fuels are burned, Earth's natural greenhouse effect is becoming too weak causing global warming.

To contribute towards global environment for the betterment, various cars and scooters manufacturing companies are shifting their production towards electric vehicles (EVs) manufacturing. Companies are heavily investing in research,

development and production of EVs.

Olay Ltd. is also one the companies belonging to scooter manufacturing industry. Watching its rivalries shifting their production to EVs, the management of Olay Ltd. decided to take the advantage of this open opportunity.

It had been only 4 years since the company started its production of EVs, but last year, the management of the company also decided to expand its product line to 3 variants of the scooter, viz., Olay EV Max, Olay EV Ultra and Olay EV Pro.

The following information is provided for the current year from the books of Olay Ltd.:

	Olay EV Max	Olay EV Ultra	Olay EV Pro
Average revenue per unit (₹)	84,975	1,15,500	2,17,800
Average cost of goods sold per unit (₹)	82,500	1,10,000	1,98,000

Last year, when the company initially expanded its product line, the sales were not much noticeable comparative to its earlier category of scooters. The company could only sold 528, 330 and 110 units of Olay EV Max, Olay EV Ultra and Olay EV Pro respectively against the order received of 616, 396 and 165 units respectively. However, with the increasing awareness about the EVs, more people started buying EVs and, during the current year, the company's order and sales jumped to five times the last year.

For earlier years, Olay Ltd. used gross margin percentage method to evaluate the relative profitability for all of its EVs.

However, from current year, company plans to use activity based costing for analysing the profitability.

The Activity analysis of Olay Ltd. is as under:

Activity Area	Cost-allocation base
Customer purchase order processing	Purchase orders by customers
Line-item ordering	Line-items per purchase order
Store delivery	Unit sold
Cartons dispatched to stores	Cartons dispatched to a store per Unit
Shelf-stocking at customer store	Hours of shelf-stocking

All the support costs for the current year amounts to ₹ 66,23,760. These support costs are assigned to all the activity areas. The cost in each area and the quantity of the cost allocation basis used in that area are as follows:

Activity Area	Total costs (₹)	Total Units of Cost-allocation base
Line-item ordering	14,04,480	66,110 line items
Cartons dispatched to store	16,72,000	3,39,240 cartons
Shelf-stocking at customer store	2,25,280	2,904 hours

The Customer purchase order processing costs ₹ 17,60,000 along with the store delivery cost of ₹ 15,62,000.

Some of the other information is also provided below:

	Olay EV Max	Olay EV Ultra	Olay EV Pro
Average number of line items per order	10	12	14
Average number of cartons shipped per store unit	16	80	300
Average number of hours of	0.1	0.6	3

shelf-stocking per store delivery			
-----------------------------------	--	--	--

The company wants you to FIGURE OUT the following to ascertain which of the product line is more profitable: **Question:(6 to 10):-**

6. For the current year, how much is the order received and the units sold for Olay EV Max, Olay EV Ultra and Olay EV Pro respectively? **2**
- (a) Order received- 616, 396 and 165 units; sold- 528, 330 and 110 units of Olay EV Max, Olay EV Ultra and Olay EV Pro respectively.
- (b) Order received- 3,696, 2,376 and 990 units; sold- 3,168, 1,980 and 660 units of Olay EV Max, Olay EV Ultra and Olay EV Pro respectively.
- (c) Order received- 528, 330 and 110 units; sold- 616, 396 and 165 units of Olay EV Max, Olay EV Ultra and Olay EV Pro respectively.
- (d) Order received- 3,080, 1,980 and 825 units; sold- 2,640, 1,650 and 550 units of Olay EV Max, Olay EV Ultra and Olay EV Pro respectively.
7. The total gross-margin percentage and the operating income percentage, for the current year would be: **2**
- (a) Gross-margin - 3.72% and Operating income - 4.96%
- (b) Gross-margin - 4.96% and Operating income - 3.72%
- (c) Gross-margin - 4.96% and Operating income - 4.96%
- (d) Gross-margin - 3.72% and Operating income - 3.72%
8. The cost driver rate relating to all the five activity areas would be: **2**
- (a) Customer purchase order processing- ₹ 363.64 per order, Line item ordering- ₹ 21.24 per line item order, Store delivery- ₹ 265.42 per unit sold, Cartons dispatched- ₹ 4.93 per dispatch and Shelf-stocking at

customer store- ₹ 77.58 per hour.

- (b) Customer purchase order processing- ₹ 299.07 per order, Line item ordering- ₹ 21.24 per line item order, Store delivery- ₹ 322.73 per unit sold, Cartons dispatched- ₹ 4.93 per dispatch and Shelf-stocking at customer store- ₹ 77.58 per hour.
- (c) Customer purchase order processing- ₹ 299.07 per order, Line item ordering- ₹ 77.58 per line item order, Store delivery- ₹ 322.73 per unit sold, Cartons dispatched- ₹ 4.93 per dispatch and Shelf-stocking at customer store- ₹ 21.24 per hour.
- (d) Customer purchase order processing- ₹ 322.73 per order, Line item ordering- ₹ 21.24 per line item order, Store delivery- ₹ 299.07 per unit sold, Cartons dispatched- ₹ 4.93 per dispatch and Shelf-stocking at customer store- ₹ 77.58 per hour.

9. The operating cost of the individual product line, as per the method proposed for the current year w.r.t. profitability analysis, would be: 2
- (a) Olay EV Max- ₹ 16,11,013, Olay EV Ultra- ₹ 23,56,890 and Olay EV Pro- ₹ 26,56,059
- (b) Olay EV Max- ₹ 23,56,890, Olay EV Ultra- ₹ 26,56,059 and Olay EV Pro- ₹ 16,11,013
- (c) Olay EV Max- ₹ 26,56,059, Olay EV Ultra- ₹ 16,11,013 and Olay EV Pro- ₹ 23,56,890
- (d) Olay EV Max- ₹ 26,56,059, Olay EV Ultra- ₹ 23,56,890 and Olay EV Pro- ₹ 16,11,013

10. Operating income as a percentage of revenues of each product line, namely 2

Olay EV Max, Olay EV Ultra and Olay EV Pro, when all the support costs are allocated using an activity-based costing system would be:

- (a) Olay EV Max- 1.73%, Olay EV Ultra- 3.53% and Olay EV Pro- 7.75%
- (b) Olay EV Max- 1.18%, Olay EV Ultra- 1.24% and Olay EV Pro- 1.34%
- (c) Olay EV Max- 2.91%, Olay EV Ultra- 4.76% and Olay EV Pro- 9.09%
- (d) Olay EV Max- 1.78%, Olay EV Ultra- 3.70% and Olay EV Pro- 8.52%

11. ABC Limited has current PBIT of ₹ 21.60 lakhs on total assets of ₹ 120 lakhs. **2**

The company has decided to increase assets by ₹ 30 lakhs, which is expected to increase the operating profit before depreciation by ₹ 8.60 lakhs. There will be a net increase in depreciation by ₹ 1.70 lakhs. This will result in ROI.

- (a) to decrease by 1%
- (b) to increase by 1%
- (c) to decrease by 1.25%
- (d) to remain the same

12. The hospital is opened for 365 days and consist of 40 beds and 10 more beds can be hired if required. **2**

it was estimated that for 165 days in a year 30 beds were occupied; For 120 days 38 beds were occupied. The hospital hired extra 800 beds @ 200 per bed. Calculate the number of patient beds.

- (a) 9,510
- (b) 10,310
- (c) 10,130
- (d) 13,510

13. If the time saved is less than 50% of the standard time, then the wages under Rowan and Halsey premium plan on comparison gives -
- (a) More wages to workers under Rowan plan than Halsey plan
 - (b) More wages to workers under Halsey plan than Rowan plan
 - (c) Equal wages under two plans
 - (d) None of the above
14. The production cost incurred for one unit of finished goods was 80. Direct materials were $\frac{1}{4}$ of the total cost, and direct labour was 45% of the combined total of direct labour and factory overhead. The cost for direct materials, direct labour and factory overhead will be: **2**
- (a) 20, 27 and 33 respectively
 - (b) 20, 33 and 27 respectively
 - (c) 20, 36 and 24 respectively
 - (d) 20, 24 and 36 respectively
15. Depreciation of director's laptop is treated as a part of: **1**
- (a) Administration Overheads
 - (b) Factory Overheads
 - (c) Direct Expenses
 - (d) Research & Development cost.
16. When costing loss is '5,600, administrative overhead under-absorbed being '600, the loss as per financial accounts should be **1**
- (a) 5,600
 - (b) 6,200
 - (c) 5,000
 - (d) None of the above

Part-2**DESCRIPTIVE QUESTIONS**

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
4. Maximum Mark 70

Maximum Marks :- 70**Q.1**

- (A) ABC Ltd. has its factory at two locations viz Noida and Patparganj. Rowan plan is used at Noida factory and Halsey plan at Patparganj factory. 5

Standard time and basic rate of wages are same for a job which is similar and is carried out on similar machinery. Normal working hours is 9 hours per day in a 5 day week.

Job at Noida factory is completed in 36 hours while at Patparganj factory it has taken 33 hours 45 minutes. Conversion costs at Noida and Patparganj are ₹ 6,084 and ₹ 5,569 respectively. Overheads account for ₹ 25 per hour.

REQUIRED:

- (i) To find out the normal wage; and
- (ii) To compare the respective conversion costs.

Q.1

- (b) M/s Abid Private Limited disclosed a net profit of ₹ 48,408 as per cost books for the year ending 31st March 2019. However, financial accounts disclosed net loss of ₹ 15,000 for the same period. On scrutinizing both the set of books of accounts, the following information was revealed:

Works Overheads under-recovered in Cost Books	48,600
Office Overheads over-recovered in Cost Books	11,500
Dividend received on Shares	17,475
Interest on Fixed Deposits	21,650
Provision for doubtful debts	17,800
Obsolescence loss not charged in Cost Accounts	17,200
Stores adjustments (debited in Financial Accounts)	35,433
Depreciation charged in financial accounts	30,000
Depreciation recovered in Cost Books	35,000

Prepare a Memorandum Reconciliation Account.

Q.1

- (C) R Ltd. produces and sells 60,000 units of product 'AN', at its Noida Plant. The selling price of the product is ₹ 15 per unit. The variable cost is 80% of selling price per unit. Fixed cost during this period is ₹ 4,20,000. The company is continuously suffering losses, and management plans to shut down the Noida Plant. 4

The fixed cost is expected to be reduced by ₹ 2,50,000. Additional costs of plant shut down are expected at ₹ 25,000. You are required to comment on:

- (i) Whether the Noida plant be shut down?
- (ii) Find the shut-down point in units.

Q.2

- (A) KT Ltd. produces a product EMM which passes through two processes before it is completed and transferred to finished stock. The following data relate to May 2019: 8

Particulars	Process		Finished stock
	A (₹)	B (₹)	(₹)
Opening Stock	5,000	5,500	10,000
Direct Materials	9,000	9,500	
Direct Wages	5,000	6,000	
Factory Overheads	4,600	2,030	
Closing Stock	2,000	2,490	5,000
Inter-process profit included in opening stock		1,000	4,000

Output of Process A is transferred to Process B at 25% profit on the transfer price and output of Process B is transferred to finished stock at 20% profit on the transfer price. Stock in process is valued at prime cost. Finished stock is valued at the price at which it is received from Process B. Sales during the period are ₹ 75,000.

Prepare the Process cost accounts and Finished stock account showing the profit element at each stage

Q.2

- (B) ABC Health care runs an Intensive Medical Care Unit. For this purpose, it has hired a building at a rent of ₹ 50,000 per month with the agreement to bear the repairs and maintenance charges also. 6

The unit consists of 100 beds and 5 more beds can comfortably be accommodated when the situation demands. Though the unit is open for patients all the 365 days in a year, scrutiny of accounts for the year 2020 reveals that only for 120 days in the year, the unit had the full capacity of 100 patients per day and for another 80 days, it had, on an average only 40 beds

occupied per day. But, there were occasions when the beds were full, extra beds were hired at a charge of ₹ 50 per bed per day. This did not come to more than 5 beds above the normal capacity on any one day. The total hire charges for the extra beds incurred for the whole year amounted to ₹ 20,000.

The unit engaged expert doctors from outside to attend on the patients and the fees were paid on the basis of the number of patients attended and time spent by them which on an average worked out to ₹ 30,000 per month in the year 2020.

The permanent staff expenses and other expenses of the unit were as follows:

	₹
2 Supervisors each at a per month salary of	5,000
4 Nurses each at a per month salary of	3,000
2 Ward boys each at a per month salary of	1,500
Other Expenses for the year were as under:	
Repairs and Maintenance	28,000
Food supplied to patients	4,40,000
Caretaker and Other services for patients	1,25,000
Laundry charges for bed linen	1,40,000
Medicines supplied	2,80,000
Cost of Oxygen etc. other than directly borne for treatment of patients	75,000
General Administration Charges allocated to the unit	71,000

Required:

- What is the profit per patient day made by the unit in the year 2020, if the unit recovered an overall amount of ₹ 200 per day on an average from each patient.
- The unit wants to work on a budget for the year 2021, but the number of patients requiring medical care is a very uncertain factor. Assuming that same revenue and expenses prevail in the year 2021 in the first instance, work out the number of patient days required by the unit to break even.

Q.3

- (A) XYZ Ltd. is engaged in the manufacturing of toys. It can produce 4,20,000 toys at its 70% capacity on per annum basis. Company is in the process of determining sales price for the financial year 2020-21. It has provided the following information: **8**

Direct Material ₹ 60 per unit

Direct Labour ₹ 30 per unit Indirect Overheads:

Fixed ₹ 65,50,000 per annum

Variable ₹ 15 per unit

Semi-variable ₹ 5,00,000 per annum up to 60% capacity and ₹ 50,000 for every 5% increase in capacity or part thereof up to 80% capacity and thereafter ₹ 75,000 for every 10% increase in capacity or part thereof.

Company desires to earn a profit of ₹ 25,00,000 for the year. Company has planned that the factory will operate at 50% of capacity for first six months of the year and at 75% of capacity for further three months and for the balance three months, factory will operate at full capacity.

You are required to :

- (1) Determine the average selling price at which each of the toy should be sold to earn the desired profit.
- (2) Given the above scenario, advise whether company should accept an offer to sell each Toy at:
 - (a) ₹ 130 per Toy
 - (b) ₹ 129 per Toy

Q.3

- (B) A company uses four raw materials A, B, C and D for a particular product for which the following data apply :- **6**

Raw Material	Usage per unit of product (Kg.)	Re-order Quantity (Kg.)	Price per Kg. (₹)	Delivery period (in weeks)			Re-order level (Kg.)	Minimum level (Kg.)
				Minimum	Average	Maximum		
A	12	12,000	12	2	3	4	60,000	?
B	8	8,000	22	5	6	7	70,000	?
C	6	10,000	18	3	5	7	?	25,500
D	5	9,000	20	1	2	3	?	?

Weekly production varies from 550 to 1,250 units, averaging 900 units of the said product. What would be the following quantities:-

- Minimum Stock of A?
- Maximum Stock of B?
- Re-order level of C?
- Average stock level of A?
- Re-order level of D?
- Minimum Stock level of D?

Q.4

- (A) A company manufactures two types of herbal product, A and B. Its budget shows profit figures after apportioning the fixed joint cost of ₹15 lacs in the proportion of the numbers of units sold. The budget for 2018, indicates: **6**

	A	B
Profit (₹)	1,50,000	30,000
Selling Price / unit (₹)	200	120

P/V Ratio (%)	40	50
---------------	----	----

Required:

COMPUTE the best option among the following, if the company expects that the number of units to be sold would be equal.

- (i) Due to exchange in a manufacturing process, the joint fixed cost would be reduced by 15% and the variables would be increased by $7\frac{1}{2}\%$.
- (ii) Price of A could be increased by 20% as it is expected that the price elasticity of demand would be unity over the range of price.
- (iii) Simultaneous introduction of both the option, viz, (i) and (ii) above.

Q.4

- (B)** Three products X,Y and Z alongwith a byproduct B are obtained again in a crude state which require further processing at a cost of Rs. 5 for X; Rs. 4 for Y; and Rs. 2.50 for Z per unit before sale. The byproduct is however saleable as such to a nearby factory. The selling prices for the three main products and byproduct, assuming they should yield a net margin of 25 percent of cost, are fixed at Rs. 13.75 Rs. 8.75 and Rs. 7.50 and Re. 1.00 respectively – all per unit quantity sold. **8**

During a period, the joint input cost including the material cost was Rs. 90,800 and the respective outputs were:

X	8,000 units
Y	6,000 units
Z	4,000 units
B	1,000 units

By product should be credited to the joint cost and only the net joint costs are to be allocated to the main products.

CALCULATE the joint cost per unit of each product and the margin available

as a percentage on cost.

Q.5

- (A) In a manufacturing company the standard units of production for the year were fixed at 1,20,000 units and overhead expenditures were estimated to be as follows: **6**

Particulars	Amount (₹)
Fixed	12,00,000
Semi-variable (60% expenses are of fixed nature and 40% are of variable nature)	1,80,000
Variable	6,00,000

Actual production during the month of April, 2021 was 8,000 units. Each month has 20 working days. During the month there was one public holiday. The actual overheads were as follows:

Particulars	Amount (₹)
Fixed	1,10,000
Semi-variable (60% expenses are of fixed nature and 40% are of variable)	19,200
Variable	48,000

You are required to calculate the following variances for the month of April 2021:

- Overhead Cost variance
- Fixed Overhead Cost variance
- Variable Overhead Cost variance
- Fixed Overhead Volume variance
- Fixed Overhead Expenditure Variance
- Calendar Variance

Q.5

- (B) V Ltd. produces and markets a very popular product called 'X'. The company **8**

is interested in presenting its budget for the second quarter of 2019.

The following information are made available for this purpose:

- (i) It expects to sell 50,000 bags of 'X' during the second quarter of 2019 at the selling price of Rs. 900 per bag.
- (ii) Each bag of 'X' requires 2.5 kgs. of a raw – material called 'Y' and 7.5 kgs. of raw – material called 'Z'.
- (iii) Stock levels are planned as follows:

Particulars	Beginning of Quarter	End of Quarter
Finished Bags of 'X' (Nos.)	15,000	11,000
Raw – Material 'Y' (Kgs.)	32,000	26,000
Raw – Material 'Z' (Kgs.)	57,000	47,000
Empty Bag (Nos.)	37,000	28,000

- (iv) 'Y' cost Rs.120 per Kg., 'Z' costs Rs.20 per Kg. and 'Empty Bag' costs Rs.80 each.
- (v) It requires 9 minutes of direct labour to produce and fill one bag of 'X'. Labour cost is Rs.50 per hour.
- (vi) Variable manufacturing costs are Rs.45 per bag. Fixed manufacturing costs Rs.30,00,000 per quarter.
- (vii) Variable selling and administration expenses are 5% of sales and fixed administration and selling expenses are Rs.20,50,000 per quarter.

Required

- (i) PREPARE a production budget for the said quarter.
- (ii) PREPARE a raw – material purchase budget for 'Y', 'Z' and 'Empty Bags' for the said quarter in quantity as well as in rupees.

- (iii) COMPUTE the budgeted variable cost to produce one bag of 'X'.
- (iv) PREPARE a statement of budgeted net income for the said quarter and show both per unit and total cost data.

Q.6

- (A) Who are Internal Users of Cost and Management Accounting. **5**

Q.6

- (B) Explain Advantages & Disadvantages of Machine Hour Rate. **5**

Q.6

- (C) What are requisites of a Good Time-Keeping System ? **4**

Or**Q.6**

- (C) Explain Differencece between Job & Batch Costing. **4**