

CA Inter **Cost Management**

Version 6 JAN/MAY/SEPT 27

Ready To Go
Question Bank

CA
Amit Sharma



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1 CHAPTER

COST SHEET

Q.1

Cost Sheet Basic



RTP N23

A Ltd. produces a single product X. During the month of July 2023, the company has produced 14,560 tonnes of X. The details for the month of July 2023 are as follows:

- (i) Materials consumed ₹ 15,00,000
- (ii) Power consumed in operating production machinery 13,000 Kwh @ ₹ 7 per Kwh
- (iii) Diesels consumed in operating production machinery 1,000 litres @ ₹ 93 per litre
- (iv) Wages & salary paid - ₹ 64,00,000
- (v) Gratuity & leave encashment paid - ₹ 44,20,000
- (vi) Hiring charges paid for Heavy Earth Moving machines (HEMM) engaged in production - ₹ 13,00,000. Hiring charges is paid on the basis of production.
- (vii) Hiring charges paid for cars used for official purpose - ₹ 80,000
- (viii) Reimbursement of diesel cost for the cars - ₹ 20,000
- (ix) The hiring of cars attracts GST under RCM @5% without credit.
- (x) Maintenance cost paid for weighing bridge (used for weighing of final goods at the time of dispatch) - ₹ 7,000
- (xi) AMC cost of CCTV installed at weighing bridge (used for weighing of final goods at the time of dispatch) and factory premises is ₹ 6,000 and ₹ 18,000 per month respectively.
- (xii) TA/ DA and hotel bill paid for sales manager- ₹ 16,000
- (xiii) The company has 180 employees works for 26 days in a month.

Required: PREPARE a Cost sheet for the month of July 2023.

Ans.

Cost Sheet of A Ltd. for the month of July 2023

Particulars	Amount (₹)	Amount (₹)
Materials consumed		15,00,000
Wages & Salary	64,00,000	
Gratuity & leave encashment	44,20,000	1,08,20,000
Power cost (13,000 kwh × ₹ 7)	91,000	
Diesel cost (1,000 ltr × ₹ 93)	93,000	1,84,000
HEMM hiring charges		13,00,000
Prime Cost		1,38,04,000
AMC cost of CCTV installed at factory premises		18,000
Cost of Production/ Cost of Goods Sold		1,38,22,000
Hiring charges of cars	80,000	
Reimbursement of diesel cost	20,000	
	1,00,000	
Add: GST @5% on RCM basis	5,000	1,05,000
Maintenance cost for weighing bridge	7,000	
AMC cost of CCTV installed at weigh bridge	6,000	13,000
TA/ DA & hotel bill of sales manager		16,000
Cost of Sales		1,39,56,000





Q.2

Income Tax & PM Fund



RTP M18, N18, M20, N20, S24, S25, MTP N19(1), M20(1), S24(1)

The following details are available from the books of R Ltd. for the year ending 31st March 2020:

Particulars	Amount (₹)
Purchase of raw materials	84,00,000
Consumable materials	4,80,000
Direct wages	60,00,000
Carriage inward	1,72,600
Wages to foreman and store keeper	8,40,000
Other indirect wages to factory staffs	1,35,000
Expenditure on research and development on new production technology	9,60,000
Salary to accountants	7,20,000
Employer's contribution to EPF & ESI	7,20,000
Cost of power & fuel	28,00,000
Production planning office expenses	12,60,000
Salary to delivery staffs	14,30,000
Income tax for the assessment year 2019-20	2,80,000
Fees to statutory auditor	1,80,000
Fees to cost auditor	80,000
Fees to independent directors	9,40,000
Donation to PM-national relief fund	1,10,000
Value of sales	2,82,60,000
Position of inventories as on 01-04-2019:	
- Raw Material	6,20,000
- W-I-P	7,84,000
- Finished goods	14,40,000
Position of inventories as on 31-03-2020:	
- Raw Material	4,60,000
- W-I-P	6,64,000
- Finished goods	9,80,000

From the above information PREPARE a cost sheet for the year ended 31st March 2020.

Ans.

Statement of Cost of R Ltd. for the year ended 31st March, 2020:

Sl. No.	Particulars	Amount (₹)	Amount (₹)
(i)	Material Consumed:		
	- Raw materials purchased	84,00,000	
	- Carriage inward	1,72,600	
	Add: Opening stock of raw materials	6,20,000	
	Less: Closing stock of raw materials	(4,60,000)	87,32,600
(ii)	Direct employee (labour) cost:		
	- Direct wages	60,00,000	
	- Employer's Contribution towards PF & ESIS	7,20,000	67,20,000
(iii)	Direct expenses:		
	- Cost of power & fuel	28,00,000	28,00,000
	Prime Cost		1,82,52,600
(iv)	Works/ Factory overheads:		
	- Consumable materials	4,80,000	
	- Wages to foreman and store keeper	8,40,000	
	- Other indirect wages to factory staffs	1,35,000	14,55,000





	Gross factory cost		1,97,07,600
	Add: Opening value of W-I-P		7,84,000
	Less: Closing value of W-I-P		(6,64,000)
	Factory Cost		1,98,27,600
(v)	Research & development cost paid for improvement in production process		9,60,000
(vi)	Production planning office expenses		12,60,000
	Cost of Production		2,20,47,600
	Add: Opening stock of finished goods		14,40,000
	Less: Closing stock of finished goods		(9,80,000)
	Cost of Goods Sold		2,25,07,600
(vii)	Administrative overheads:		
	- Salary to accountants	7,20,000	
	- Fees to statutory auditor	1,80,000	
	- Fees to cost auditor	80,000	
	- Fee paid to independent directors	9,40,000	
	- Income tax for the assessment year 2019-20	-	
	- Donation to PM-national relief fund	-	19,20,000
(viii)	Selling overheads & Distribution overheads:		
	- Salary to delivery staffs		14,30,000
	Cost of Sales		2,58,57,600
	Profit (balancing figure)		24,02,400
	Sales		2,82,60,000

Q.3

Expenses Classification



RTP M21, D21, M24, S26, MTP M21(1), N23(1), J25(1)

Arnav Inspat Udyog Ltd. has the following expenditures for the year ended 31st March 2023:

Sl. No.		(₹)	(₹)
(i)	Raw materials purchased		10,00,00,000
(ii)	GST paid on the above purchases @18% (eligible for input tax credit)		1,80,00,000
(iii)	Freight inwards		11,20,600
(iv)	Wages paid to factory workers		29,20,000
(v)	Contribution made towards employees' PF & ESIS		3,60,000
(vi)	Production bonus paid to factory workers		2,90,000
(vii)	Royalty paid for production		1,72,600
(viii)	Amount paid for power & fuel		4,62,000
(ix)	Amount paid for purchase of moulds and patterns (life is equivalent to two years production)		8,96,000
(x)	Job charges paid to job workers		8,12,000
(xi)	Stores and spares consumed		1,12,000
(xii)	Depreciation on:		
	Factory building	84,000	
	Office building	56,000	





	Plant & Machinery	1,26,000	
	Delivery vehicles	86,000	3,52,000
(xiii)	Salary paid to supervisors		1,26,000
(xiv)	Repairs & Maintenance paid for: Plant & Machinery	48,000	
	Sales office building	18,000	
	Vehicles used by directors	19,600	85,600
(xv)	Insurance premium paid for:		
	Plant & Machinery	31,200	
	Factory building	18,100	
	Stock of raw materials & WIP	36,000	85,300
(xvi)	Expenses paid for quality control check activities		19,600
(xvii)	Salary paid to quality control staffs		96,200
(xviii)	Research & development cost paid for improvement in production process		18,200
(xix)	Expenses paid for pollution control and engineering & maintenance		26,600
(xx)	Expenses paid for administration of factory work		1,18,600
(xxi)	Salary paid to functional managers:		
	Production control	9,60,000	
	Finance & Accounts	9,18,000	
	Sales & Marketing	10,12,000	28,90,000
(xxii)	Salary paid to General Manager		12,56,000
(xxiii)	Packing cost paid for:		
	Primary packing necessary to maintain quality	96,000	
	For re-distribution of finished goods	1,12,000	2,08,000
(xxiv)	Interest and finance charges paid (for usage of non-equity fund)		7,20,000
(xxv)	Fee paid to auditors		1,80,000
(xxvi)	Fee paid to legal advisors		1,20,000
(xxvii)	Fee paid to independent directors		2,20,000
(xxviii)	Performance bonus paid to sales staffs		1,80,000
(xxix)	Value of stock as on 1st April, 2022:		
	Raw materials	18,00,000	
	Work-in-process	9,20,000	
	Finished goods	11,00,000	38,20,000
(xxx)	Value of stock as on 31st March, 2023:		
	Raw materials	9,60,000	
	Work-in-process	8,70,000	
	Finished goods	18,00,000	36,30,000

Amount realized by selling of scrap and waste generated during manufacturing process - ₹ 86,000/-

From the above data you are required to PREPARE Statement of cost for Arnab Ispat Udyog Ltd. for the year ended 31st March, 2023, showing (i) Prime cost, (ii) Factory cost, (iii) Cost of Production, (iv) Cost of goods sold and (v) Cost of sales.



Ans.

Statement of Cost of Arnav Ispat Udyog Ltd. for the year ended 31st March, 2023:

Sl.No.	Particulars	(₹)	(₹)
(i)	Material Consumed:		
	Raw materials purchased	10,00,00,000	
	Freight inwards	11,20,600	
	Add: Opening stock of raw materials	18,00,000	
	Less: Closing stock of raw materials	(9,60,000)	10,19,60,600
(ii)	Direct employee (labour) cost:		
	Wages paid to factory workers	29,20,000	
	Contribution made towards employees' PF & ESIS	3,60,000	
	Production bonus paid to factory workers	2,90,000	35,70,000
(iii)	Direct expenses:		
	Royalty paid for production	1,72,600	
	Amount paid for power & fuel	4,62,000	
	Amortised cost of moulds and patterns	4,48,000	
	Job charges paid to job workers	8,12,000	18,94,600
	Prime Cost		10,74,25,200
(iv)	Works/ Factory overheads:		
	Stores and spares consumed	1,12,000	
	Depreciation on factory building	84,000	
	Depreciation on plant & machinery	1,26,000	
	Repairs & Maintenance paid for plant & machinery	48,000	
	Insurance premium paid for plant & machinery	31,200	
	Insurance premium paid for factory building	18,100	
	Insurance premium paid for stock of raw materials & WIP	36,000	
	Salary paid to supervisors	1,26,000	
	Expenses paid for pollution control and engineering & maintenance	26,600	6,07,900
	Gross factory cost		10,80,33,100
	Add: Opening value of W-I-P		9,20,000
	Less: Closing value of W-I-P		(8,70,000)
	Factory Cost		10,80,83,100
(v)	Quality control cost:		
	Expenses paid for quality control check activities	19,600	
	Salary paid to quality control staffs	96,200	1,15,800
(vi)	Research & development cost paid for improvement in production process		18,200
(vii)	Administration cost related with production:		
	-Expenses paid for administration of factory work	1,18,600	



	-Salary paid to Production control manager	9,60,000	10,78,600
(viii)	Less: Realisable value on sale of scrap and waste		(86,000)
(ix)	Add: Primary packing cost		96,000
	Cost of Production		10,93,05,700
	Add: Opening stock of finished goods		11,00,000
	Less: Closing stock of finished goods		(18,00,000)
	Cost of Goods Sold		10,86,05,700
(x)	Administrative overheads:		
	Depreciation on office building	56,000	
	Repairs & Maintenance paid for vehicles used by directors	19,600	
	Salary paid to Manager- Finance & Accounts	9,18,000	
	Salary paid to General Manager	12,56,000	
	Fee paid to auditors	1,80,000	
	Fee paid to legal advisors	1,20,000	
	Fee paid to independent directors	2,20,000	27,69,600
(xi)	Selling overheads:		
	Repairs & Maintenance paid for sales office building	18,000	
	Salary paid to Manager- Sales & Marketing	10,12,000	
	Performance bonus paid to sales staffs	1,80,000	12,10,000
(xii)	Distribution overheads:		
	Depreciation on delivery vehicles	86,000	
(xiii)	Packing cost paid for re-distribution of finished goods	1,12,000	1,98,000
(xiv)	Interest and finance charges paid		7,20,000
	Cost of Sales		11,35,03,300

Note:

GST paid on purchase of raw materials would not be part of cost of materials as it is eligible for input tax credit.

Q.4

Closing FG Calculation



PYQ M18, J26, RTP M19

Following information relate to a manufacturing concern for the year ended 31 st March, 2018:

	₹
Raw Material (opening)	2,28,000
Raw Material (closing)	3,05,000
Purchases of Raw Material	42,25,000
Freight Inwards	1,00,000
Direct wages paid	12,56,000
Direct wages-outstanding at the end of the year	1,50,000
Factory Overheads	20% of prime cost
Work-in-progress (opening)	1,92,500
Work-in-progress (closing)	1,40,700
Administrative Overheads (related to production)	1,73,000
Distribution Expenses	₹ 16 per unit
Finished Stock (opening)-1217 Units	6,08,500
Sale of scrap of material	8,000





The firm produced 14000 units of output during the year. The stock of finished goods at the end of the year is valued at cost of production. The firm sold 14153 units at a price of ₹ 618 per unit during the year. Prepare cost sheet of the firm.

Ans. Cost sheet for the year ended 31st March, 2018.

Units produced - 14,000 units

Units sold - 14,153 units

Particulars	Amount (₹)
Raw materials purchased	42,25,000
Add: Freight Inward	1,00,000
Add: Opening value of raw materials	2,28,000
Less: Closing value of raw materials	(3,05,000)
	42,48,000
Less: Sale of scrap of material	8,000
Materials consumed	42,40,000
Direct Wages (12,56,000 + 1,50,000)	14,06,000
Prime Cost	56,46,000
Factory overheads (20% of ₹ Prime Cost)	11,29,200
Add: Opening value of W-I-P	1,92,500
Less: Closing value of W-I-P	(1,40,700)
Factory Cost	68,27,000
Add: Administrative overheads	1,73,000
Cost of Production	70,00,000
Add: Value of opening finished stock	6,08,500
Less: Value of closing finished stock	
[₹ 500(70,00,000/14,000) × 1,064] (1,217+ 14,000 - 14,153 = 1,064 units)	(5,32,000)
Cost of Goods Sold	70,76,500
Distribution expenses (₹ 16 × 14,153 units)	2,26,448
Cost of Sales	73,02,948
Profit (Balancing figure)	14,43,606
Sales (₹ 618 × 14,153 units)	87,46,554

Q.5

Closing FG Calculation



PYQ M23

The following information is available from SN Manufacturing Limited's for the month of April 2023.

	April 1	April 30
Opening and closing inventories data:		
Stock of finished goods	2,500 units	?
Stock of raw materials	₹ 42,500	₹ 38,600
Work-in progress	₹ 42,500	₹ 42,800
Other data are:		
Raw materials Purchased		₹ 6,95,000
Carriage inward		₹ 36,200
Direct wages paid		₹ 3,22,800
Royalty paid for production		₹ 35,800
Purchases of special designs, moulds and patterns (estimated life 12		₹ 1,53,600





Production cycles)		
Power, fuel and haulage (factory)		₹ 70,600
Research and development costs for improving the production process (amortized)		₹ 31,680
Primary packing cost (necessary to maintain quality)		₹ 6,920
Administrative Overhead		₹ 46,765
Salary and wages for supervisor and foremen		₹ 28,000

Other information:

- Opening stock of finished goods is to be valued at ₹ 8.05 per unit.
- During the month of April, 1,52,000 units were produced and 1,52,600 units were sold. The closing stock of finished goods is to be valued at the relevant month's cost of production. The company follows the FIFO method.
- Selling and distribution expenses are to be charged at 20 paise per unit.
- Assume that one production cycle is completed in one month.

Required:

- Prepare a cost sheet for the month ended on April 30, 2023, showing the various elements of cost (raw material consumed, prime cost, factory cost, cost of production, cost of goods sold, and cost of sales).
- Calculate the selling price per unit if profit is charged at 20 percent on sales.

Ans.

Cost Sheet for the month of April 2023

Particulars	Amount (₹)	Amount (₹)
Raw materials consumed:		
Raw materials purchased	6,95,000	
Add: Carriage inward	36,200	
Add: Value of opening stock of raw materials	42,500	
Less: Value of closing stock of raw materials	(38,600)	7,35,100
Direct wages paid		3,22,800
Royalty paid for production		35,800
Amortised cost of special designs, moulds and patterns (₹153,600 ÷ 12)		12,800
Power, fuel and haulage (factory)*		70,600
Prime Cost*		11,77,100
Salary and wages of supervisor and foremen		28,000
Gross Works Cost		12,05,100
Add: Opening stock of WIP		42,500
Less: Closing stock of WIP		(42,800)
Factory/ Works Cost		12,04,800
Research and development cost	31,680	
Primary packing cost	6,920	38,600
Cost of Production		12,43,400
Add: Opening stock of finished goods (₹ 8.05 × 2,500 units)		20,125
Less: Value of closing stock [(2,500+152,000 -1,52,600) × (12,43,400÷152,000)]		(15,542)
Cost of Goods Sold		12,47,983
Add: Administrative overheads		46,765
Add: Selling and distribution expenses (₹ 0.20 × 1,52,600)		30,520
Cost of Sales		13,25,268
Add: Profit (20% on Sales or 25% on cost of sales)		3,31,317
Sales value		16,56,585
Selling price per unit (₹ 16,56,585 ÷ 1,52,600 units)		10.86



*May be taken as part of Factory / Works cost, however Total Factory Cost will remain the same. If taken as part of factory cost then prime cost will be ₹ 11,06,500.

Alternative Solution (Based on work-in-progress figure of ₹ 45,500 as on 1st April 2023 as per Hindi part of Question paper)

Particulars	Amount (₹)	Amount (₹)
Raw materials consumed:		
Raw materials purchased	6,95,000	
Add: Carriage inward	36,200	
Add: Value of opening stock of raw materials	42,500	
Less: Value of closing stock of raw materials	(38,600)	7,35,100
Direct wages paid		3,22,800
Royalty paid for production		35,800
Amortised cost of special designs, moulds and patterns (₹ 153,600 ÷ 12)		12,800
Power, fuel and haulage (factory)*		70,600
Prime Cost		11,77,100
Salary and wages of supervisor and foremen		28,000
Gross Works Cost		12,05,100
Add: Opening stock of WIP		45,500
Less: Closing stock of WIP		(42,800)
Factory/ Works Cost		12,07,800
Research and development cost	31,680	
Primary packing cost	6,920	38,600
Cost of Production		12,46,400
Add: Opening stock of finished goods (₹ 8.05 × 2,500 units)		20,125
Less: Value of closing stock [(2,500+1,52,000 -1,52,600) × (12,46,400÷1,52,000)]		(15,580)
Cost of Goods Sold		12,50,945
Add: Administrative overheads		46,765
Add: Selling and distribution expenses (₹ 0.20 × 1,52,600)		30,520
Cost of Sales		13,28,230
Add: Profit (20% on Sales or 25% on cost of sales)		3,32,058
Sales value		16,60,288
Selling price per unit (₹ 16,60,288 ÷ 1,52,600 units)		10.88

*May be taken as part of Factory / Works cost, however Total Factory Cost will remain the same. If taken as part of factory cost then prime cost will be ₹ 11,06,500.

Q.6

Reverse Calculation



PYQ N18, J21, MTP N22(1), M23(1), S26

Following details are provided by M/s ZIA Private Limited for the quarter ending 30 September, 2018:

(i)	Direct expenses	₹ 1,80,000
(ii)	Direct wages being 175% of factory overheads	₹ 2,57,250
(iii)	Cost of goods sold	₹ 18,75,000
(iv)	Selling & distribution overheads	₹ 60,000
(v)	Sales	₹ 22,10,000
(vi)	Administration overheads are 10% of factory overheads	

Stock details as per Stock Register:





Particulars	30.06.2018 ₹	30.09.2018 ₹
Raw material	2,45,600	2,08,000
Work-in-progress	1,70,800	1,90,000
Finished goods	3,10,000	2,75,000

You are required to prepare a cost sheet showing:

- Raw material consumed
- Prime cost
- Factory cost
- Cost of goods sold
- Cost of sales and profit

Ans.

Cost Sheet
(for the quarter ending 30 September 2018)

	Amount (₹)
(i) Raw materials consumed	
Opening stock of raw materials	2,45,600
Add: Purchase of materials	12,22,650*
Less: Closing stock of raw materials	(2,08,000)
Raw materials consumed	12,60,250
Add: Direct wages (1,47,000×175%)	2,57,250
Direct Expenses	1,80,000
(ii) Prime cost	16,97,500
Add: Factory overheads (2,57,250/175%)	1,47,000
Gross Factory cost	18,44,500
Add: Opening work-in-process	1,70,800
Less: Closing work-in-process	(1,90,000)
(iii) Factory cost	18,25,300
Add: Administration overheads (10% of factory overheads)	14,700
Add: Opening stock of finished goods	3,10,000
Less: Closing stock of finished goods	(2,75,000)
(iv) Cost of goods sold	18,75,000
Add: Selling & distribution overheads	60,000
Cost of sales	19,35,000
(v) Net Profit	2,75,000
Sales	22,10,000

* $(18,75,000 + 2,75,000 - 3,10,000 - (1,47,000 \times 10\%) + 1,90,000 - 1,70,800 - (2,57,250 \times 100/175\%) - 1,80,000 - 2,57,250 + 2,08,000 - 2,45,600) = 12,22,650$

Working notes

Purchase of raw materials = Raw material consumed + Closing stock - opening stock of raw material

Raw material consumed = Prime cost - Direct wages - Direct expenses

Factory Overheads = $2,57,250 \times 100/175$

Prime cost = Factory cost + Closing WIP - Opening WIP - Factory overheads

Factory Cost = Cost of Production goods sold + Closing stock of Finished goods - Opening stock of finished goods - Administrative overheads

Net Profit = Sales - Cost of sales



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