

**CMA JUNE, 2020 EXAMINATION
PROFESSIONAL LEVEL-I
SUBJECT: 102. COST ACCOUNTING**



Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1

- (a) What do you understand by Conversion Cost?
 (b) What is Production Overhead?
 (c) JTS Engineering Company has three production departments (i) Casting Dept. (ii) Molding Dept. (iii) Machining Dept. and one service department General Management.

Following are the particulars of a month of 25 working days @ 8 hours per day.

You are asked to calculate Labor hour rate for each of the production department from the information provided below;

Indirect Material;	1,735			
Casting Dept.	930			
Molding Dept.	935			
Machining Dept.	300			
Total Indirect Material		3,900		
Indirect Wages		9,000		
Rent		8,800		
Canteen Expenses		1,800		
Lighting		2,200		
Depreciation @12% p/a				
Other Information;	Casting	Molding	Machining	Gen. Mgt.
	Dept.	Dept.	Dept.	Dept.
No of workers	20	25	30	15
Area (sqmetre)	100	100	150	50
Direct Wages (Tk.)	8,000	10,000	12,000	6,000
No. of Electric Points	40	30	20	20
Value of Assets (Tk)	5,000	6,000	6,000	3,000

Service rendered by the General management Department to production department Casting, Molding & Machining is in the ratio of 2:2:1, respectively.

[Marks: (4+4+12) = 20]

Q. No. 2

- (a) What do you understand the term Economic Order Quantity (EOQ)?
 (b) From the following particulars determine the EOQ.

Ordering Quantities (Tons)	Price per ton (Tk.)
Less than 100	10.00
Between 100 and 199	9.90
Between 200 and 499	9.80
Between 500 and 999	9.70
Between 1,000 and 1,999	9.60
Between 2,000 and above	9.50

Additional Information;

- (i) Annual Consumption of materials = 2,000 tons
 (ii) Carrying Cost 10%
 (iii) Ordering Cost Tk. 5 per order

[Marks: (5+15) = 20]

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Q. No. 3

- (a) Define Cost Accounting. What are the main differences financial accounting and cost accounting?
- (b) The CFO of ABC Jute Mills Ltd. presented the following Income Statement for the year ended June 30, 2020, to the Board of Directors:

Sales		Tk. 2,40,00,000
Cost of goods sold		
Direct Materials	Tk. 76,00,000	
Direct Labor	58,00,000	
Factory Overhead	<u>49,00,000</u>	<u>1,83,00,000</u>
Gross Profit		57,00,000
Marketing Expenses	27,00,000	
Administrative Expenses	<u>20,00,000</u>	<u>47,00,000</u>
Operating Income		<u>10,00,000</u>

The Board discussed the ratio of operating income to sales and decided that for the year ending June 30, 2021, an increase of at least 25% of the present profit is desirable. An expected sales volume increase of 20% will cause all costs except marketing and administrative expenses to increase accordingly. In addition to this increase resulting from the volume change, costs are expected to increase as follows:

Direct Materials	8%
Direct Labor	10%
Factory Overhead	3%
Marketing Expenses	4%
Administrative Expenses	2%

The 3% increase in factory overhead applies to the variable factory overhead only. Fixed Factory Overhead is considered to remain at the present level of Tk. 12,50,000.

Required:

Prepare a forecast Income Statement for the year ending June 30, 2021, incorporating all cost increases as well as management's desire for a higher Operating Income.

[Marks: (5+15) = 20]

Q. No. 4

- (a) What is an activity –based approach to designing a costing system? Describe four levels of a cost hierarchy.
- (b) Casio Company produces scientific and financial calculators and operates at capacity. Data related to the two products are presented below:

Particulars	Scientific	Financial
Annual production in Units	50000	100000
Direct Material Costs	Tk. 150,000	Tk. 300,000
Direct Manufacturing labor costs	Tk. 50,000	Tk. 100,000
Direct Manufacturing labor hours	2500	5000
Machine hours	25,000	50,000
Number of production run	50	50
Inspection hours	1000	500
Total Manufacturing costs	Tk. 750,000	
Setup costs	Tk. 240,000	
Inspection costs	Tk. 210,000	

Required:

- (i) Compute the manufacturing overhead cost per unit for each product
- (ii) Compute the manufacturing cost per unit for each product.

[Marks: (5+5+5) = 15]

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Q. No. 5

Zakir Industries Ltd. has two producing departments, Fabrication and Finishing. In the Fabrication Department Poly plast is prepared from miracle mix and Bypro. In the Finishing Department each unit of Poly plast is converted into six terplexes and three uniplexes. Service department provide services to both producing departments.

The Fabrication and Finishing departments use process cost procedures. Actual production costs including factory overhead are allocated monthly. Service department expenses are allocated to producing departments as follows:

Expenses	Fabrication	Finishing
Building maintenance	Tk. 30,000	Tk. 15,000
Time keeping and personnel	16,500	11,000
Others	19,500	19,500

Materials inventory and work in process are costed on a fifo basis. The Fabrication Department's record of December show:

Quantities (Unit of Poly plast) in process December-1	Tk. 3,000
Started in process	25,000
Total units to be accounted for	28,000
Transferred to Finishing Department	19,000
In process December-31	6,000
Normal loss throughout the process	3,000
Total units accounted for	28,000
Cost of work in process December-1	
Materials	Tk. 13,000
Labour	17,500
Factory overhead	21,500
	Tk. 52,000
Direct labour costs	Tk. 154,000
Departmental factory overhead excluding service department allocation	Tk. 132,000

Poly plast work in process at the beginning and end of the month was practically completed as follows:

	Materials	Labour and Overhead
December-1	66 ² / ₃ %	50%
December-31	100%	75%

Materials inventory records for December indicate:

	<u>Miracle Mix</u>		<u>ByPro</u>	
	<u>Qty.</u>	<u>Amount</u>	<u>Qty.</u>	<u>Amount</u>
Balance December-1	62,000	Tk. 62,000	265,000	18,550
Purchased:				
December-12	39,500	49,375		
December-20	28,500	34,200		
Fabrication Dept. uses	83,200		50,000	

Required:

- Compute in equivalent member of units of Poly plast for materials and conversion costs.
- Determine the total Fabrication Department cost to be accounted for.
 - Compute in unit costs for materials labour and factory overhead for Fabrication Department.
 - Compute the cost of units transferred to the Finishing Department and the cost of the ending work in process in the Fabrication Department.
- Compute requirements (1) and (2) above assuming the work in process inventory is costed using the average method. (Round unit costs to the nearest taka)

[Marks: 5+(4+4+5)+7 = 25]

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