



CA

AMIT SHARMA

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CA INTER






Cost AND
Management
Accounting
Question Bank

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COURSE**



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INDEX

CHAPTER	01	Cost Sheet	01	
CHAPTER	02	Material Costing	69	
CHAPTER	03	Employee Cost	120	
CHAPTER	04	Overheads	175	
CHAPTER	05	Activity Based Costing (ABC)	242	

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INDEX

CHAPTER	06	Marginal Costing	317	
CHAPTER	07	Standard Costing	372	
CHAPTER	08	Joint & By Products	423	
CHAPTER	09	Process Costing	458	
CHAPTER	10	Budget & Budgetary Control	519	
CHAPTER	11	Service Costing	568	
CHAPTER	12	Cost Accounting System	627	
CHAPTER	13	Job, Unit & Batch Costing	659	

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1

CHAPTER

Cost Sheet

Q.1

Calculation of Cost Sheet

PY May 18



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
Wo9rk-in-progres (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.2

Calculation of Cost Sheet

PY Nov 18



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

Alternative solution

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	12,37,350*
Less: Closing stock of raw materials	(2,08,000)
Raw Material consumed	12,74,950
Add: Direct wages ($1,47,000 \times 175\%$)	2,57,250
Direct Expenses	1,80,000
(ii) Prime cost	17,12,200
Add: Factory overheads ($2,57,250/175\%$)	1,47,000
Gross Factory cost	18,59,200
Add: Opening work-in-process	1,70,800
Less: Closing work-in-process	(1,90,000)
(iii) Factory cost/works cost/cost of production	18,40,000
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: Administration overheads (10% of factory overheads)	14,700
Add: Selling & distribution overheads	60,000
Cost of sales	19,49,700
(v) Net Profit	2,60,300
Sales	22,10,000

$$*(18,75,000 + 2,75,000 - 3,10,000 + 1,90,000 - 1,70,800 - 1,47,500 - 1,80,000 - 2,57,250 + 2,08,000 - 2,45,600) = 12,37,350$$

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

Net Profit = Sales - Cost of sales

Q.3

Calculation of Cost Sheet

PY May 19



M/s Areeba Private Limited has a normal production capacity of 36,000 units of toys per annum. The estimated costs of production are as under:

- (i) Direct Material ₹ 40 per unit
 - (ii) Direct Labour ₹ 30 per unit (subject to a minimum of ₹ 48,000 p.m.)
 - (iii) Factory Overheads:
 - (a) Fixed ₹ 3,60,000 per annum
 - (b) Variable ₹ 10 per unit
 - (c) Semi-variable ₹ 1,08,000 per annum up to 50% capacity and additional ₹ 46,800 for every 20% increase in capacity or any part thereof.
 - (iv) Administrative Overheads ₹ 5, 18,400 per annum (fixed)
 - (v) Selling overheads are incurred at ₹ 8 per unit.
 - (vi) Each unit of raw material yields scrap which is sold at the rate of ₹ 5 per unit.
 - (vii) In year 2019, the factory worked at 50% capacity for the first three months but it was expected that it would work at 80% capacity for the remaining nine months.
 - (viii) During the first three months, the selling price per unit was ₹ 145.
- You are required to:
- (i) Prepare a cost sheet showing Prime Cost, Works Cost, Cost of Production and Cost of Sales.
 - (ii) Calculate the selling price per unit for remaining nine months to achieve the total annual profit of ₹ 8,76,600.

Ans.

(i) Cost Sheet of M/s Areeba Pvt. Ltd. for the year 2019.

Normal Capacity: 36,000 units p.a.

Particulars	3 Months 4,500 Units		9 Months 21,600 units	
	Amount (₹)	Cost per unit (₹)	Amount (₹)	Cost per unit (₹)
Direct material	1,80,000		8,64,000	
Less: Scrap	(22,500)		(1,08,000)	
Materials consumed	1,57,500	35	7,56,000	35
Direct Wages	1,44,000	32	6,48,000	30
Prime Cost	3,01,500	67	14,04,000	65
Factory overheads:				
- Fixed	90,000		2,70,000	
- Variable	45,000		2,16,000	
- Semi variable	27,000	36	1,51,200	29.50
Works Cost	4,63,500	103	20,41,200	94.50
Add: Administrative overheads	1,29,600	28.80	3,88,800	18
Cost of Production	5,93,100	131.80	24,30,000	112.5
Selling Overheads	36,000	8	1,72,800	8
Cost of Sales	6,29,100	139.80	26,02,800	120.5

Working Notes:

Calculation of Costs

Particulars	4,500 units Amount (₹)	21,600 units Amount (₹)
Material	1,80,000 (₹ 40 × 4,500 units)	8,64,000 (₹40 × 21,600 units)
Wages	1,44,000 (Max. of ₹ 30 × 4,500 units = ₹1,35,000 and ₹ 48,000 × 3 months = ₹1,44,000)	6,48,000 (21600 Units × 30)
Variable Cost	45,000 (₹10 × 4,500 units)	2,16,000 (₹10 × 21,600 units)



Semi-variable Cost	$27,000 \left(\frac{1,08,000}{12 \text{ Months}} \times 3 \text{ Months} \right)$	$1,51,200 \left(\frac{1,08,000}{12 \text{ Months}} \times 9 \text{ Months} \right)$
		+46,800(for 20 % increase) +23,400(for 10% increase)
Selling Overhead	36,000 (₹8 × 4,500 units)	1,72,800(₹ 8 × 21,600 units)

Notes:

- Alternatively scrap of raw material can also be reduced from Work cost.
- Administrative overhead may be treated alternatively as a part of general overhead. In that case, Works Cost as well as Cost of Production will be same i.e. ₹ 4,63,500 and Cost of Sales will remain same as ₹ 6,29,100.

(ii) Calculation of Selling price for nine months period

Particulars	Amount (₹)
Total Cost of sales ₹ (6,29,100+26,02,800)	32,31,900
Add: Desired profit	8,76,600
Total sales value	41,08,500
Less: Sales value realised in first three months (₹145 × 4,500 units)	(6,52,500)
Sales Value to be realised in next nine months	34,56,000
No. of units to be sold in next nine months	21,600
Selling price per unit (₹34,56,000 ÷ 21,600 units)	160

Q.4

Calculation of Cost Sheet

PY Nov 19



XYZ a manufacturing firm, has revealed following information for September, 2019:

	1st September (₹)	30th September (₹)
Raw Materials	2,42,000	2,92,000
Works-in-progress	2,00,000	5,00,000

The firm incurred following expenses for a targeted production of 1,00,000 units during the month :

	(₹)
Consumable Stores and spares of factory	3,50,000
Research and development cost for process improvements	2,50,000
Quality control cost	2,00,000
Packing cost (secondary) per unit of goods sold	2
Lease rent of production asset	2,00,000
Administrative Expenses (General)	2,24,000
Selling and distribution Expenses	4,13,000
Finished goods (opening)	Nil
Finished goods (closing)	5000 units

Defective output which is 4% of targeted production, realizes ₹ 61 per unit. Closing stock is valued at cost of production (excluding administrative expenses) Cost of goods sold, excluding administrative expenses amounts to ₹ 78,26,000. Direct employees cost is 1/2 of the cost of material consumed.

Selling price of the output is ₹ 110 per unit. You are required to :

- Calculate the Value of material purchased
- Prepare cost sheet showing the profit earned by the firm.

Ans.

Workings:

- Calculation of Sales Quantity:**

Particular	Units
Production units	1,00,000
Less: Defectives (4%×1,00,000 units)	4,000
Less: Closing stock of finished goods	5,000
No. of units sold	91,000

2. Calculation of Cost of Production

Particular	Amount (₹)
Cost of Goods sold (given)	78,26,000
Add: Value of Closing finished goods	4,30,000
$\left(\frac{78,26,000}{91,000 \text{ units}} \times 5,000 \text{ units} \right)$	
Cost of Production	82,56,000

3. Calculation of Factory Cost

Particular	Amount (₹)
Cost of Production	82,56,000
Less: Quality Control Cost	(2,00,000)
Less: Research and Development Cost	(2,50,000)
Add: Credit for Recoveries/Scrap/By-Products/misc. income (1,00,000 units × 4% × ₹ 61)	2,44,000
Factory Cost	80,50,000

4. Calculation of Gross Factory Cost

Particular	Amount (₹)
Cost of Factory Cost	80,50,000
Less: Opening Work in Process	(2,00,000)
Add: Closing Work in Process	5,00,000
Cost of Gross Factory Cost	83,50,000

5. Calculation of Prime Cost

Particular	Amount (₹)
Cost of Gross Factory Cost	83,50,000
Less: Consumable stores & spares	(3,50,000)
Less: Lease rental of production assets	(2,00,000)
Prime Cost	78,00,000

6. Calculation of Cost of Materials Consumed & Labour cost

Let Cost of Material Consumed = M and Labour cost = 0.5M

Prime Cost = Cost of Material Consumed + Labour Cost 78,00,000 = M + 0.5M

M = 52,00,000

Therefore, Cost of Material Consumed = ₹ 52,00,000 and Labour Cost = ₹ 26,00,000

(i) Calculation of Value of Materials Purchased

Particular	Amount (₹)
Cost of Material Consumed	52,00,000
Add: Value of Closing stock	2,92,000
Less: Value of Opening stock	(2,42,000)
Value of Materials Purchased	52,50,000



Cost Sheet

Sl.	Particulars	Total Cost (₹)
1.	Direct materials consumed:	
	Opening Stock of Raw Material	2,42,000
	Add: Additions/ Purchases [balancing figure as per requirement (i)]	52,50,000
	Less: Closing stock of Raw Material	(2,92,000)
	Material Consumed	52,00,000
2.	Direct employee (labour) cost	26,00,000
3.	Prime Cost (1+2)	78,00,000
4.	Add: Works/ Factory Overheads Consumable stores and spares	
	Lease rent of production asset	3,50,000
		2,00,000
5.	Gross Works Cost (3+4)	83,50,000
6.	Add: Opening Work in Process	2,00,000
7.	Less: Closing Work in Process	(5,00,000)
8.	Works/ Factory Cost (5+6-7)	80,50,000
9.	Add: Quality Control Cost	2,00,000
10.	Add: Research and Development Cost	2,50,000
11.	Less: Credit for Recoveries/Scrap/By-Products/misc. income	(2,44,000)
12.	Cost of Production (8+9+10-11)	82,56,000
13.	Add: Opening stock of finished goods	-
14.	Less: Closing stock of finished goods (5000 Units)	(4,30,000)
15.	Cost of Goods Sold (12+13-14)	78,26,000
16.	Add: Administrative Overheads (General)	2,24,000
17.	Add: Secondary packing	1,82,000
18.	Add: Selling Overheads & Distribution Overheads	4,13,000
19.	Cost of Sales (15+16+17+18)	86,45,000
20.	Profit	13,65,000
21.	Sales 91,000 units ₹ 110 per unit	1,00,10,000

Q.5

Calculation of Cost Sheet

PY Nov 20



X Ltd. manufactures two types of pens 'Super Pen' and 'Normal Pen'.
The cost data for the year ended 30th September, 2019 is as follows:

	(₹)
Direct Materials	8,00,000
Direct Wages	4,48,000
Production Overhead	1,92,000
Total	14,40,000

It is further ascertained that :

- (1) Direct materials cost in Super Pen was twice as much of direct material in Normal Pen.
- (2) Direct wages for Normal Pen were 60% of those for Super Pen.
- (3) Production overhead per unit was at same rate for both the types.
- (4) Administration overhead was 200% of direct labour for each.
- (5) Selling cost was ₹ 1 per Super pen.
- (6) Production and sales during the year were as follow

Production		Sales	
	No. of units		No. of units
Super Pen	40,000	Super Pen	36,000
Normal Pen	1,20,000		

(7) Selling price was ₹ 30 per unit for Super Pen.

Prepare a Cost Sheet for 'Super Pen' showing:

- Cost per unit and Total Cost
- Profit per unit and Total Profit

Ans.

Preparation of Cost Sheet for Super Pen

No. of units produced = 40,000 units

No. of units sold = 36,000 units

Particulars	Per unit (₹)	Total (₹)
Direct materials (Working note- (i))	8.00	3,20,000
Direct wages (Working note- (ii))	4.00	1,60,000
Prime cost	12.00	4,80,000
Production overhead (Working note- (iii))	1.20	48,000
Factory Cost	13.20	5,28,000
Administration Overhead* (200% of direct wages)	8.00	3,20,000
Cost of production	21.20	8,48,000
Less: Closing stock (40,000 units - 36,000 units)	-	(84,800)
Cost of goods sold i.e. 36,000 units	21.20	7,63,200
Selling cost	1.00	36,000
Cost of sales/ Total cost	22.20	7,99,200
Profit	7.80	2,80,800
Sales value (₹ 30 × 36,000 units)	30.00	10,80,000

Working Notes:

- Direct material cost per unit of Normal pen = M

Direct material cost per unit of Super pen = 2M

Total Direct Material cost = $2M \times 40,000 \text{ units} + M \times 1,20,000 \text{ units}$

Or, ₹ 8,00,000 = $80,000 M + 1,20,000 M$

Or, M = $\frac{8,00,000}{2,00,000} = ₹ 4$

Therefore, Direct material Cost per unit of Super pen = $2 \times ₹ 4 = ₹ 8$

- Direct wages per unit for Super pen = W

Direct wages per unit for Normal Pen = 0.6W

So, $(W \times 40,000) + (0.6W \times 1,20,000) = ₹ 4,48,000$

W = ₹ 4 per unit

- Production overhead per unit = $\frac{1,92,000}{(40,000 + 1,20,000)} = ₹ 1.20$

Production overhead for Super pen = ₹ 1.20 × 40,000 units = ₹ 48,000

* Administration overhead is specific to the product as it is directly related to direct labour as mentioned in the question and hence to be considered in cost of production only.

Assumption: It is assumed that in point (1) and (2) of the Question, direct materials cost and direct wages respectively is related to per unit only.

Note: Direct Material and Direct wages can be calculated in alternative ways.



Q.6

Calculation of Cost Sheet

PY Jan 21



The following data are available from the books and records of Q Ltd. for the month of April 2020:

Direct Labour Cost = ₹ 1,20,000 (120% of Factory Overheads)

Cost of Sales = ₹ 4,00,000

Sales = ₹ 5,00,000

Accounts show the following figures:

	1st April, 2020 (₹)	30th April, 2020 (₹)
Inventory:		
Raw material	20,000	25,000
Work-in-progress	20,000	30,000
Finished goods	50,000	60,000
Other details:		
Selling expenses		22,000
General & Admin. expenses		18,000

You are required to prepare a cost sheet for the month of April 2020 showing:

- Prime Cost
- Works Cost
- Cost of Production
- Cost of Goods sold
- Cost of Sales and Profit earned.

Ans.

Cost Sheet for the Month of April 2020

Particulars	(₹)
Opening stock of Raw Material	20,000
Add: Purchases [Refer Working Note-2]	1,65,000
Less: Closing stock of Raw Material	(25,000)
Raw material consumed	1,60,000
Add: Direct labour cost	1,20,000
Prime cost	2,80,000
Add: Factory overheads	1,00,000
Gross Works cost	3,80,000
Add: Opening work-in-progress	20,000
Less: Closing work-in-progress	(30,000)
Works Cost	3,70,000
Cost of Production	3,70,000
Add: Opening stock of finished goods	50,000
Less: Closing stock of finished goods	(60,000)
Cost of goods sold	3,60,000
Add: General and administration expenses*	18,000
Add: Selling expenses	22,000
Cost of sales	4,00,000
Profit {Balancing figure (₹ 5,00,000 - ₹ 4,00,000)}	1,00,000
Sales	5,00,000

*General and administration expenses have been assumed as not relating to the production activity.

Working Note:

- Computation of the raw material consumed

Particulars	(₹)
Cost of Sales	4,00,000
Less: General and administration expenses	(18,000)
Less: Selling expenses Cost of goods sold	(22,000)
Add: Closing stock of finished goods	3,60,000
Less: Opening stock of finished goods Cost of production/Gross works cost Add: Closing stock of work-in-progress Less: Opening stock of work-in-progress	60,000
Works cost	(50,000)
	3,70,000
Less: Factory overheads $\left(\frac{1,20,000}{120} \times 100 \right)$	30,000
	(20,000)
Prime cost	3,80,000
Less: Direct labour	(1,00,000)
Raw material consumed	2,80,000
	(1,20,000)
	1,60,000

2. Computation of the raw material purchased

Particulars	(₹)
Closing stock of Raw Material	25,000
Add: Raw Material consumed	1,60,000
Less: Opening stock of Raw Material	(20,000)
Raw Material purchased	1,65,000

Q.7

Calculation of Cost Sheet

PY Jan 21



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:

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 :

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

Ans.

(1) Statement of Cost

	For first 6 months	For further 3 months	For remaining 3 months	Total
	6,00,000 × 6/12 × 50% = 1,50,000 units	6,00,000 × 3/12 × 75% = 1,12,500 units	6,00,000 × 3/12 = 1,50,000 units	4,12,500 units

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