(CA Inter CMA Question Paper – MCQs)

Case Scenario 1:

Sagar Limited, an oil refinery uses Process Costing for determining the cost of each process. Management of Sagar Limited is confused about method of valuation of WIP. They have FIFO and Weighted Average Cost methods under consideration.

Finance manager Mr. Sahil has put forward that Weighted Average Cost method is suitable when there are significant fluctuations in price and quantity. In this method, calculation has to be done at every purchase and it is a complex and time-consuming method.

He also stated that price and quantity of input and output material of Sagar Limited is almost same for whole year; hence FIFO method would be more suitable for the company. He also revealed that in oil refinery industry; FIFO method is preferred over Weighted Average Cost method and switching to FIFO method will save time and money.

He further stated that by using FIFO method closing WIP is valued at current cost and provided the following information:

Opening WIP : 12,000 Units

Total cost : `1,66,200

Degree of Completion:
    Material : 100%
    Labour and Overhead : 80%

Material introduced (74,500 Units) : `4,76,465

Direct Labour : `3,70,395

Direct Overhead : `2,96,316

Units Scrapped : 1900 units

Degree of Completion:
    Material : 100%
    Labour and Overhead : 70%

Closing WIP : 2,600 units

Degree of Completion:
    Material : 100%
    Labour and Overhead : 60%

Rest of the units were transferred to next process.

Normal Loss is 2% of total input units including opening work-in-process. Realisable value of normal loss is `2 per unit deducted from cost of material introduced.

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(2 marks x 5 = 10 marks)

You are required to calculate the following using FIFO method (MCQs 1 to 5):

Q1: Value of units transferred to next process
(a) `12,75,600
(b) `11,10,660
(c) `12,51,200
(d) `12,72,800

Q2: Value of closing WIP
(a) `31,044
(b) `31,096
(c) `30,940
(d) `28,340

Q3: Equivalent units of Material and Material cost per unit
(a) 74,500 units and `6.39 per unit
(b) 86,500 units and `5.50 per unit

(c) 72,770 units and `6.50 per unit

(d) 74,600 units and `6.56 per unit

Q4: Equivalent units of labour and overheads and total cost per unit

(a) 74,079 units and `9.00 per unit

(b) 82,490 units and `8.08 per unit

(c) 75,290 units and `8.85 per unit

(d) 79,790 units and `8.35 per unit

Q5: Value of abnormal loss to be shown in process account

(a) `2,182.00

(b) `2,176.00

(c) `2,168.35

(d) `1,896.52

Case Scenario-II:

FW Limited manufactures various types of footwear and covers a considerable market share. The footwear made by company are stylish and durable. The management calls for an urgent meeting because it has come to their notice that two of their old permanent customers have moved on to its competitors.

Marketing Manager has stated that there are circumstances when company cannot fulfill the demand of their customers due to shortage of supply and this is the main reason for move on.

Production Manager has stated that production team is working efficiently but workers have to wait long enough for raw material which leads to idle time and low production.

The cost accounts department of FW Limited has furnished the following data for the component B:

Purchase Price	`4,800 per unit
Trade Discount	2% of purchase price
Total duties (No Credit availed)	8% of purchase price
Insurance Charges	`62,000 per year
Units purchased during the year	60,000 units
Opening Stock	5,000 units @`5,150 per unit
Closing Stock	4,500 units

Usages per week		Delivery period	
Minimum	1,050 units	Minimum	5 weeks
Maximum	1,200 units	Maximum	9 weeks
Average	1,125 units	Average	7 weeks

Lead time for emergency purchases is 2 weeks.

Additional Information:

- Normal wastage during the storage is 80 units (no realisable value) and abnormal wastage is 40 units.
- Factory works for 365 days in a year.

(CA Inter Sept 2024)
(2 marks x 5 = 10 marks)

You are required to calculate the followings (MCQs 6 to 10):

Q6: Calculate average number of days (round off) for which average inventory level to be held.

(a) 29 days

(B) 27 days

(C) 26 days

(D) 30 days

Q7: Calculate amount of Abnormal Loss during storage to be transferred to Costing Profit & Loss Account (based on average price)

(a) `2,04,760

(b) `2,04,000

(c) `2,03,760

(d) `2,05,320

Q8: Calculate per unit cost of material by using Average Price Method.

(a) `5,119

(b) `5,100

(c) `5,094

(d) `5,133

Q9: Calculate minimum stock level.
(a) 7,825 units
(b) 10,800 units
(c) 5,250 units
(d) 2,925 units

Q10: What will be danger level of stock?
(a) 7,875 units
(b) 2,400 units
(c) 2,250 units
(d) 2,240 units

Q11: On 01-04-2023 number of workers employed in a factory was 150. During the year 30 workers resigned and 5 workers were discharged. Due to resignation and discharge, 15 workers were replaced. For the year 2023-24, labour turnover rate by separation method will be:
(a) 18%
(b) 21.43%
(c) 25%
(d) 30%

(2 marks)

Q12: A Chemical is passed through three processes and the output of Process 1 Account is transferred to Process 2 Account. The input units in Process 1 are 58,500 units and the output units are 55,200 units, normal loss is 2% and rest is abnormal loss.
You are required to calculate the per unit cost of output units in Process 1 Account, if the total expenses incurred in Process 1 are `6,87,960.

(a) `12.00

(b) `11.76

(c) `12.20

(d) `12.46

(2 marks)

Q13: PS Limited is facing downfall in its demand. Marketing team has suggested to reduce the selling price by 5% to compete in the market. Variable cost is 76% of the current selling price.
You are required to find out the P/N Ratio after reducing the price by 5%,
(a) 24%
(b) 20%
(c) 25.26%
(d) 19%

(2 marks)

Q14: In the automotive manufacturing sector, a component is manufactured. The Economic Order Quantity (EOQ) for this component is 1,500 units. The cost of placing an order is `100, and the carrying cost per annum is 10%. The cost per unit of component is `20.

Calculate the annual demand for this specific automotive component.
(a) 75,000 units
(b) 45,500 units
(c) 36,000 units
(d) 22,500 units

Q15: In a mutual project, both Raj and Bhuvan are contributing their efforts, using identical materials. Raj receives a bonus based on the Rowan plan, while the Halsey plan determines Bhuvan's bonus. The standard time allocated for the project is 150 hours. Raj completes the project in 90 hours, while Bhuvan finishes it in 120 hours. The normal hourly wage rate for Raj `30. The total earnings for both workers are equal.

Calculate the normal hourly wages rate to be paid to Bhuvan.
(a) `24.00
(b) `26.50
(c) `22.50
(d) `28.00