CA Intermediate (New Syllabus)
Cost & Management Accounting (Paper 3)
July, 2021 - Exam Paper Analysis

Disclaimer

The below mentioned views are the personal views of CA Rakesh Agrawal, Pune. It may or may not tally with ICAI views. The purpose is just to provide some guidelines to students till the time ICAI releases its own suggested answers.

Important Note : A student is supposed to download and take a printout of original question paper. Read each question very carefully first and then read the analysis below. You cannot understand the author's view without understanding the question itself. These guidelines are meant only for the students of CA Rakesh Agrawal Sir.

Question wise Comments

Que. 1(a) : [5 Marks]

Reference : Chapter 2 - Material Cost - ABC Analysis

Ref. Question : Q.18 - Page 46 - Volume I of our Version 3 notes.

Comment : Simple Question.

Hint to solve : Calculate total consumption value for each item (i.e. Units x Cost p.u.) and then calculate the % of consumption value of each item to the total consumption value of all the items. Now assign the category to each item as per the guidelines provided in the question itself.

Que. 1(b) : [5 Marks]

Reference : Chapter 4 - Overhead Cost

Ref. Question : Q.24 - Page 123 - Volume I of our Version 3 notes.

Comment : Simple Question.

Hint : Use of Step Ladder Method is asked. First close Maintenance Dept. and then Personnel Dept.

Que. 1(c) : [5 Marks]

Reference : Chapter 7 - Batch Costing - EBQ

Ref. Question : Q.5 - Page 7 - Volume II of our Version 3 notes.

Comment : Simple Question with accident spot.

Hint : Convert carrying cost per month to per annum. Production cost is of no use. EBQ should be 2,000 vaccines.

Que. 1(d) : [5 Marks]

Reference : Chapter 13 - Marginal Costing - Cost BEP

Ref. Question : Q.64 - Page 79 - Volume III of our Version 3 notes.

Comment : Very Simple Question

Hint : Cost BEP = 40,000 units, BEP (M1) = 10,000 units & BEP (M2) = 20,000 units

Que. 2(a) : [10 Marks]

Reference : Chapter 6 - Cost Sheet

Ref. Question : Q.19 - Page 197 - Volume I of our Version 3 notes.

Comment : Little tricky question.

Que. 2(b) : [5 Marks]

Reference : Chapter 11 - Joint Product - Further processing decision

Ref. Question : Q.9 - Page 134 - Volume II of our Version 3 notes.

Comment : Very Simple Question

Hint : Just compare incremental revenue with incremental cost to take the further processing decision. No need to apportion the joint cost.

Que. 2(c) : [5 Marks]

Reference : Chapter 3 - Labour Cost - Labour Turnover Ratio

Ref. Question : Q.37 - Page 93 - Volume I of our Version 3 notes.

Comment : Very Simple Question

Hint : The answer calculated is for 2 months i.e. Feb & March. Convert it into annual ratio for equivalent rate.

Logical Error of ICAI : No. of workers replaced are more than the number of workers left & discharged. Anyway, it won't affect your answer & marks.

Que. 3(a) : [10 Marks]

Reference : Chapter 12 - Cost Ledger - Reconciliation of Profit

Ref. Question : Q.33 - Page 20 - Volume III of our Version 3 notes.

Comment : Little tricky question.

Hint : First calculate the fixed overhead recovery rates and then prepare cost sheet. Take notional rent in cost accounts as a separate item of cost.

Que. 3(b) : [10 Marks]

Reference : Chapter 5 - Activity Based Costing

Ref. Question : Q.4 - Page 168 - Volume I of our Version 3 notes.

Comment : Simple question.

Hint : For part (iii), charge proportion cost of design of 1,500 units in cost sheet.

Que. 4(a) : [10 Marks]

Reference : Chapter 10 - Process Costing

Ref. Question : Q.13 - Page 87 - Volume II of our Version 3 notes.

Comment : Little tricky question and time consuming also.

Hint : Actual output of each process is not given in the question. Hence, treat normal loss as actual loss. Using final output of 12,000 units and by doing reverse working, we can get the actual loss of Process 'Y'.

Another way could be to use Cost per unit of output of Process 'Y' as ₹ 4 per unit in an equation to get the answer. We will have to wait for ICAI answer for better clarity.

Que. 4(b) : [5 Marks]

Reference : Chapter 9 - Service Costing

Ref. Question : Q.22 - Page 58 - Volume II of our Version 3 notes.

Comment : Simple question.

Hint : You have to first calculate total cost as = (total insured value x cost per rupee of insured value) i.e. 7 crores. Then you will get IT Cost as balancing figure.

Que. 4(c) : [5 Marks]

Reference : Chapter 8 - Contract Costing

Ref. Question : Q.1 - Page 24 - Volume II of our Version 3 notes.

Comment : Very simple question.

Hint : Work certified = (1,30,000 / 20%) = ₹ 6,50,000

Que. 5(a) : [10 Marks]

Reference : Chapter 14 - Standard Costing

Ref. Question : Q.15 - Page 117 - Volume III of our Version 3 notes.

Comment : Little tricky and time consuming question.

Hint : Three variance method is used. Efficiency variance is calculated using Actual Hours Worked and not Paid. Labour Yield Variance = Sub-efficiency variance.

Cost Variance = Rate + Efficiency + Idle Time variance and

Efficiency Variance = Gang + Yield variance.

All 100 workers together working in a team will produce 25 units in 1 gang hour.

Convert gang hours in to labour hours before calculation of variances.

Standard wage rate is missing and has to be calculated using Efficiency Variance. My rough calculation shows that Std. wage rate is ₹ 6 per hour. Calculate this answer first and then you will get the remaining answers.

Que. 5(b) : [10 Marks]

Reference : Chapter 15 - Budgetary Control

Ref. Question : Q.23 - Page 166 - Volume III of our Version 3 notes.

Comment : Little tricky question

Hint : Calculate production in reverse sequence i.e. March, 21 to Nov. 20. Opening stock of March 21 is Closing stock of Feb. 21 and so on.

Possible Error of ICAI : Part (iii) of the question says 'Raw Material Budget'. It is not mentioned whether it is a 'Consumption Budget' or 'Purchase Budget'. Considering the information available in the question, it is possible to prepare only Raw Material consumption Budget.

Que. 6 : [5 Marks x 4 Ques. = 20 Marks]

It is a theory question for those who love to answer theory.

You have to solve 4 out of 5 questions.

You will find the answers in our notes and ICAI module.

Important Note :

Detailed answers by Rakesh Sir in his own format with notes and assumptions will be released after studying the Suggested Answers of ICAI.

It is done to avoid the conflict of opinion between the author and ICAI.

This will avoid unnecessary confusion in the minds of students.

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