



ST. LAWRENCE HIGH SCHOOL

A Jesuit Christian Minority Institution



First Term

Sub: Costing & Taxation Model Answer Class: XI C

F.M.: 80

Duration: 3 hrs. 15 minutes

Date: 05/08/2019

PART – A

(COSTING)

Group – A

1. Answer the following questions (Select the correct answer):

1x12=12

(i) Which one of the following is the cost unit for cotton and textile industry?

(c) meter.

(ii) Which of the following cost centre is a service cost centre?

(d) Canteen.

(iii) In Cost Accounting the term "Cost" means

(c) both actual and notional expenditure.

(iv) Profit on sales is $33\frac{1}{3}\%$, which indicates _____% on cost.

(b) 50.

(v) Prime cost + Factory overhead = _____?

(a) Works cost.

(vi) Cost of 200 units is ₹400, 400 units is ₹600, 600 units is ₹800, the nature of expenditure is

(c) semi-variable.

(vii) Aggregate of indirect material cost, indirect labour cost and indirect expenses is called

(b) Overhead cost.

(viii) The cost which remains constant in per unit of output is known as

(a) variable cost.

(ix) Which of the following is included in raw material cost?

(b) carriage inward.

(x) Cost of production of 25,000 units of a Product is ₹2,00,000 and 18,000 units have been sold. What is the value of closing stock of finished goods?

(c) ₹56,000.

(xi) Which of the following costs is direct labour cost?

(d) none of these.

(xii) In Iron & Steel Industry, the cost unit is

(a) Tonne.

Group – B

2. Answer the following questions :

1 x 6 = 6

(i) State one objective of cost accounting.

For ascertaining the actual and notional cost of goods and service.

(ii) What is service cost centre?

The cost centre which engages in providing necessary services to production cost centres is known as service cost centre. Example: canteen, generator house etc.

(iii) Write one important difference between variable cost and semi-variable cost.

Cost varies proportionately for increase and decrease of production in case of variable cost; but cost does not vary proportionately for increase and decrease of production in case of semi-variable cost.

(iv) What is Research and Development Cost?

The costs that are incurred for the improvement of the existing product or service and introduction of new product or service in the market is known as Research and Development Cost.

(v) Give two example of selling cost.

Travelling expenses and depreciation of delivery van.

(vi) What is fixed cost?

The cost which remains fixed throughout the production irrespective of the number of units produced is known as fixed cost.

Group – C

Answer the following questions :

4 x 2 = 8

3. State the limitations of Cost Accounting.

Following are the limitations of Cost Accounting:

Cost of implementation: Cost accounting system can be used only by the big concerns as high cost is involved in the introduction of cost accounting system in an entity.

Lack of necessity: Many entities were working before successfully without adopting the technique of cost accounting. Hence, it has been established that cost accounting is not necessary for the successful existence of an entity.

No guarantee of success: Cost accounting system does not give any guarantee about the success in the production and distribution activities of products and services of an entity.

Lack of uniform procedures: Same cost accounting information may yield different result to different organisation if different methods are followed. For example: method of absorption costing or activity based costing yields different results than conventional or traditional costing method.

4. Distinguish between Cost Unit and Cost Centre.

Points of Differences	Cost Unit	Cost Centre
Concept	Cost Unit is numerical information which is connected with any particular product or service. Example: Tonne, metre etc.	Cost centre is the group of activities which are connected with a department or a number of departments. Example: Assembling centre, canteen etc.
Effectiveness	Cost unit plays an effective role in the determination of cost of any product or service.	The cost centre plays a very effective role in controlling cost of any product or service.
Sequence of cost determination	On the basis of determination of cost of a cost centre, cost per unit of a product or service is ascertained.	Initially, the total cost of a cost centre is ascertained.
Inclusion	Cost unit is the smallest and useful part in the process of determination of cost.	Cost centre is basically a part of the whole entity.

Group – D

Answer the following question :

6 x 1 = 6

5. From the following information, calculate the amount of sales:

Cost of production: ₹ 1,20,000 (for 8,000 units)

Closing stock of finished goods: 1,500 units

Selling & Distribution expenses: ₹ 3 per unit sold

Opening stock of finished goods: ₹ 14,400 (for 1,200 units)

Rate of profit 20% on sales and profit. Assumed stock was maintained under FIFO.

Statement Showing Computation of Sales

Units Produced: 8,000 units
Units Sold : 7,700 units

Particulars	Amount (₹)	Cost / unit (₹)
Cost of Production	1,20,000	15.00
Add: Opening stock of finished goods	14,400	
Less: Closing stock of finished goods (1,500 x 15)	(22,500)	
Cost of Goods Sold	1,11,900	14.53
Add: Selling & Distribution Overhead	23,100	3.00
Cost of Sales	1,35,000	17.53
Add: Profit (20% on sales)	33,750	4.38
Sales	1,68,750	21.91

Group – E

6. A factory produces a single product from the following particulars for the month of March, 2019, prepare a cost sheet:

8 x 1 = 8

	1.03.2019 (₹)	31.03.2019 (₹)
Stock of raw materials	50,000	65,000
Stock of WIP	45,000	82,000
Stock of Finished Goods	96,000 (3,000 units)	? (2,000 units)
Other information for the month:		₹
Raw Materials purchased		3,00,000
Freight on purchase of raw materials		10,000
Direct wages paid		1,80,000
Chargeable expenses		25,000
Factory Overhead		1,80,000
Office & Administrative Expenses		77,000
Selling & Distribution Expenses		34,000
Production (24,000 units)		---
Sales @ ₹ 35 per unit.		
Assumed stock was maintained under LIFO.		

Units Produced: 24,000

Units Sold: 25,000

Cost Sheet

Period: Month ending March, 2019

Particulars	Amount (₹)	Amount(₹)	Cost / unit(₹)
Raw Materials Consumed:			
Opening stock of raw materials	50,000		
Add: Raw materials purchased	3,00,000		
Add: Freight on purchase of raw materials	10,000		
Less: Closing stock of raw materials	(65,000)		
		2,95,000	12.29
Add: Direct wages		1,80,000	7.50
Add: Chargeable Expenses		25,000	1.04
		5,00,000	20.83
PRIME COST			
Add: <u>Factory Overhead:</u>	1,80,000		
Add: Opening WIP	45,000		
Less: Closing WIP	(82,000)		
		1,43,000	5.96
		6,43,000	26.79
WORKS COST			
Add: Office & Administrative Overhead		77,000	3.21
		7,20,000	30.00
COST OF PRODUCTION			
Add: Opening stock of finished goods		96,000	
Less: Closing stock of finished goods ($\frac{96,000}{3,000} \times 2,000$)		(64,000)	
		7,52,000	30.08
COST OF GOODS SOLD			
Add: Selling & Distribution Overhead		34,000	1.36
		7,86,000	31.44
COST OF SALES			
Add: Profit		89,000	3.56
		8,75,000	35.00
SALES			

PART – B
(TAXATION)
Group – A

Answer the following questions:

7. Mark the correct answer:

1 x 12 = 12

(i) The Income Tax Act, 1961, came into force from which date?

(c) 1.4.1962.

(ii) Which of the following is regarded as Direct Tax?

(a) Income Tax

(iii) Which of the following income is fully exempt from tax u/s 10(34)?

(c) Dividend received from a domestic company

(iv) Assessment year for the previous year 2018-19 is:

(b) 2019-20

(v) Daily allowances of MPs and MLAs are

(c) fully exempt u/s 10(17).

(vi) Mr. Roy, an employee of a limited company is regarded as

(c) an individual.

(vii) Mr. Dutta an Indian citizen left India for the first time for the purpose of foreign assignment. He will be treated as non-resident for the Assessment Year 2017-18, if he stayed in India during the previous year 2016-17 for

(a) 65 days; (c) 50 days.

(viii) Residential status of an individual assessee

(a) may differ from one previous year to another.

(ix) Number of heads of income as per Indian Income Tax Act, 1961 is:

(c) 5.

(x) A business is formed on 1.10.2018, the previous year will be:

(a) 1.4.2018 to 31.3.2019.

(xi) KMC is regarded as

(d) a Local Authority.

(xii) Residential status of an individual is ascertained on basis of his/her

(c) number of days stayed in India.

Group – B

2. Answer the following questions:

1 x 6 = 6

(i) What is assessment year?

According to Section 2(9) of Income Tax Act, Assessment Year is that year in which the income of the previous year is assessed.

(ii) Who is an assessee?

According to Section 2(7) of the Income Tax Act, 1961, Assessee means a person by whom any tax or any other sum of money is payable under the relevant Income Tax Act.

(iii) State the taxability of interest received on fixed deposit from SBI in the hands of Mr. Dey, who is a non-resident individual.

It is taxable in the hands of Mr. Dey, who is a non-resident individual.

(iv) State the taxability of consultancy fee received for service rendered in Japan, but received in India in the hands of Mr. Mukherjee, a resident and ordinarily resident assessee.

It is taxable in the hands of Mr. Mukherjee who is a resident and ordinarily resident assessee.

(v) Income from latex of rubber tree plantation is ₹ 2,00,000 in India. Calculate the taxability of this income.

35% of ₹ 2,00,000 i.e. ₹ 70,000 is taxable.

(vi) State the exemption limit of Conveyance Allowance as per Section 10(14) of the Income Tax Act, 1961.

Actual amount incurred on account of conveyance is exempt from tax u/s 10(14)

Group – C

Answer the following questions:

4 x 3 = 12

9. What do you mean by "Heads of Income" and "Person" as per Income Tax Act, 1961?

2 + 2

Section 14 of the Income Tax Act, 1961 provides unless otherwise provided in the act, for the purpose of computation of total income, all the income of an assessee shall be classified under the following heads of income.

- Income from salaries.
- Income from house properties.
- Profits and gains of business and profession.
- Capital gains
- Income from other sources.

As per section 2(31) of the Income Tax Act, the term 'Person' includes the following:

- an individual
- a HUF

- a Company
- a Firm
- an AOP or BOI
- every artificial juridical person created by law.

10. What is "Total Income" as per Income Tax Act?

As per section 2(45) of the Income Tax Act, 1961, Total Income of an assessee refers to gross total income as reduced by the amount permissible as deduction under Chapter VIA from 80C to 80U.

Section 2(45) defines total income as the aggregate of income as referred to section 5, ascertained in the manner as specified in the Act.

11. Mr. Das, an Indian citizen left India for the first time on 17.7.2015 for the purpose of employment in Australia. Determine his residential status for the previous year 2018-19.

Table for Residential Status of Mr. Das, an Indian citizen

Previous Years	Number of days stayed	Residential Status
2015-16	30+31+30+17= 108 days	NRI
2016-17	NIL	NRI
2017-18	NIL	NRI
2018-19	NIL	NRI

Mr. Das is NRI during the AY 2019-20 relating to the PY 2018-19 as he fails to satisfy the basic condition u/s 6(1)(a).

Group – D

Answer the following question:

10 X 1 = 10

12. From the following information of Mr. Agarwal, calculate her total income if he is (i) Ordinary resident, (ii) Resident but not Ordinarily Resident and (iii) Non-resident.

- Dividend received from Tata Steel Ltd. ₹26,000.
- Dividend accrued from a foreign company but received in India ₹42,000.
- Income from business in USA ₹80,000 controlled from Chennai.
- Income from business in UK but controlled from there ₹68,000.
- Income accrued in Germany ₹1,50,000. $\frac{1}{3}$ rd received in India.

Computation of total income of Mr. Agarwal for the AY 2019-20 relating to the PY 2018-19

Cases	Resident & Ordinarily Resident (₹)	Resident but not Ordinarily Resident (₹)	NRI (₹)
(a) Dividend received from Tata Steel Ltd. ₹26,000.	Nil	Nil	Nil
(b) Dividend accrued from a foreign company but received in India ₹42,000.	42,000	42,000	42,000
(c) Income from business in USA ₹80,000 controlled from Chennai.	80,000	80,000	Nil
(d) Income from business in UK but controlled from there ₹68,000.	68,000	Nil	Nil
(e) Income accrued in Germany ₹1,50,000. $\frac{1}{3}$ rd received in India.	50,000	50,000	50,000
(i) $\frac{1}{3}$ rd received in India			
(ii) Balance received outside India	1,00,000	Nil	Nil
GTI	3,40,000	1,72,000	92,000
Less: Deduction Under Chapter VI A	NIL	NIL	NIL
Total Income	3,40,000	1,72,000	92,000