

Potalay Kabi 15.01.20
P. Dalta 15.01.2020.



ST. LAWRENCE HIGH SCHOOL

A JESUIT CHRISTIAN MINORITY INSTITUTION



Pre Annual Examination 2020

Sub: Costing & Taxation Model Answer Class- 11

F.M: 80

Duration: 3Hours 15 Minutes

Date: 14.01.2020

PART – A
[COSTING]

Answer the following questions :

(1X12 =12)

1. Choose the correct answer :

- (i) Determination of cost is done mainly for
(a) cost determination; (b) cost control; (c) determination of selling price; (d) **all of these**
- (ii) In Iron & Steel Industry, the cost unit is
(a) metre; (b) Kw per hour; (c) **tonne** (d) none of these
- (iii) Where the Bin Card is kept?
(a) Store Department; (b) Purchase Department; (c) Cost Department; (d) Sales Department
- (iv) The expense which is not included in selling & distribution overhead is
(a) Sales Commission; (b) Godown rent **(c) Depreciation** (d) Advertisement expenses
- (v) Cost of Production = + Administrative Expenses.
(a) Prime Cost; (b) Factory Overhead; **(c) Works Cost;** (d) None of these
- (vi) If profit on cost is 25% then profit on sales will be
(a) 50%; (b) 25%; **(c) 20%;** (d) none of these.
- (vii) Economic Order Quantity (EOQ) = 6500 units and Number of Orders = 8, Annual Demand of material will be
(a) 26,000 units; **(b) 52,000 units;** (c) 65,000 units; (d) 78,000 units.
- (viii) Maximum stock level minimum stock level of a raw material are 6570 kg and 3750 kg respectively. Which is the Average Stock Level?
(a) 10320 kg; (b) 5060 kg; **(c) 5160 kg;** (d) 2820 kg.
- (ix) What should be the indication given by material turnover rate?
(a) Efficiency of purchasing material; (b) Efficiency of storing material;
(c) Efficiency of using material; **(d) All of these.**
- (x) What is the meaning of ABC in Cost Accounting ?
(a) Always Better Control; (b) Activity Based Costing; (c) Action Before Confirmation; (d) All of these.
- (xi) The stock level beyond which stock of material should not be allowed to rise is called
(a) Re-Order Level; (b) Minimum Stock Level; (c) Danger Level; **(d) Maximum Stock Level.**

(xii) Cost of production of a product is Rs. 3,80,000, opening stock of finished goods and closing stock of finished goods are Rs. 32,000 and Rs. 56,000 respectively. What is the value of cost of goods sold?

(a) Rs. 3,24,000; (b) 4,12,000; (c) 4,24,000; **(d) 3,56,000.**

GROUP –B

2. Answer the following questions (Alternatives are to be noted) : (1X6 = 6)

(i) What do you mean by Cost Accounting?

Ans. Cost Accounting is a quantitative method that accumulates, classifies, summarise and interprets information.

Or,

What is Cost Centre ?

Ans. Cost Centre is a production or service location, function, activity or item of equipment whose cost may be attributed to cost units.

(ii) What do you mean by semi- variable cost?

Ans. The cost which is partly fixed and partly variable is known as semi – variable cost.

(iii) What is overhead?

Ans. Indirect expenses which are not directly related to production is known as overhead. Example- Factory Overhead, Office Overhead etc.

Or,

Give two example of Factory Cost.

Ans. Depreciation of machinery, wages to factory workers.

(iv) What is Economic Order Quantity?

Ans. Economic Order Quantity is that order of quantity where total cost of buying is minimised.

Or,

What is Re- Order Level?

Ans. It is the level of stock availability when a new order should be raised.

(v) What is Store Ledger?

Ans. The separate ledger kept in the cost accounting department for recording the quantity and money value of receipts, issues and stock of materials by opening separate accounts for each item of materials in it is known as stores ledger.

(vi) Define Cost Sheet.

Ans. A statement prepared in a systematic, logical and analytical manner to ascertain the total and per unit actual or notional cost of goods produced or to be produced or of service rendered is known as cost sheet.

GROUP –C

Answer the following questions (Alternative is to be noted) : (4 X 2 = 8)

3. State the differences between Cost Centre and Cost Unit.

Ans.

Cost Centre	Cost Unit
1. Cost centre is the smallest segment of activity.	1. Cost Unit is a unit of product or service in relation to which cost are ascertained.
2. A cost centre is a small part or section of the whole organisation.	2. A cost unit is a part of output produced or service rendered.
3. Cost centre is helpful for cost control.	3. Cost unit is helpful for determining cost.
4. A cost centre is used before the use of the cost unit.	4. A cost unit is used after the completion of the functions of cost centre.

Or,

State four necessary factors for installation of a Cost Accounting System.

Ans. The following are the factors:

- (i) The objective to be achieved through the cost system.
- (ii) Studying the existing organisation and routine.
- (iii) Determining the Costs Rates.
- (iv) Introducing the system.

4. From the following information calculate Economic Order Quantity, and number of order:

Consumption	5000 units per month
Cost per unit	Rs. 50
Cost of processing an order	Rs. 240
Obsolescence	15%
Insurance on Inventory	25%

$$\text{Ans. EOQ} = \sqrt{\frac{2AB}{C}}$$

Where, A = Annual demand = 60,000 units

B = Cost of placing an order = Rs. 240

C = Carrying cost = Rs. 50 X 40% = Rs. 20

$$\text{So, EOQ} = \sqrt{\frac{2 \times 60,000 \times 240}{20}} = 1200 \text{ units.}$$

$$\text{No. Of order} = \text{Annual Demand} / \text{EOQ} = 60,000 / 1200 = 50 \text{ times.}$$

GROUP – D

Answer the following questions (Alternative is to be noted)

(6 X 1 =6)

5.(a) State the objectives of material control.

Ans. Objectives:

- i) Availability of materials
- ii) Prevention of wastage
- iii) Reduction in purchasing cost
- iv) No risk of spoilage and obsolescence
- v) Right amount of payment to suppliers
- vi) Reduction in price of the product

(b) Distinguish between Centralised Stores and Decentralised Stores.

3+3

Ans.

Centralised Stores	Decentralised Stores
1. Better control can be exercised.	1. It becomes difficult to ensure overall control
2. Greater risk of loss in case of fire.	2. Moderate risk of loss in case of fire.
3. Investment in stock is minimised.	3. This system causes over stocking and excess working capital is required.
4. Better layout of stores is possible.	4. It is very difficult to set up proper layout of stores.
5. Economy in cost.	5. it is too costly.
6. Delay in drawing materials from the central stores.	6. Department using materials can get quick supply.

OR

From the following information calculate Re-order level, Minimum Level and Maximum Level in respect of raw material :

Minimum usage of material	50 units per day
Maximum usage of material	200 units per day
Normal usage of material	125 units per day
Re-order quantity	3000 units
Re-order period	3 to 5 days

Ans.

Re- Order Level = Maximum usage X Maximum lead time = 200 units X 5 days = 1000 units.

Minimum Level = Re- Order Level – (Normal usage X Normal lead time)
= 1000 units – (125 units X 4 days) = 500 units.

Maximum Level = Re- Order Level + Re-order quantity – (Minimum usage X Minimum lead time) = 1000 units + 3000 units – (200 units X 3 days) = 3400 units.

GROUP – E

Answer the following questions (Alternative is to be noted)

(8 X 1 =8)

6. From the following information prepare a cost sheet for the year 2019 :

Raw material consumed	Rs. 60,000
Direct Wages	Rs. 40,000
Direct Expenses	Rs. 8,000
Indirect Wages	Rs. 10,000
Depreciation on machinery	Rs. 12,000
Office Overhead	20% on work cost
Selling Overhead	Rs. 2 per unit
Unit produced	18,000 units
Unit sold	15,000 units @ Rs.20 each

Cost Sheet
For the year ended 31st December 2019

Particulars	Amount (Rs.)
Raw material consumed	60,000
Direct wages	40,000
Direct expenses	8,000
Prime Cost	108,000
Factory Overhead	10,000
Indirect wages	12,000
Depreciation on machinery	1,30,000
Works Costs	26,000
Office Overhead(@ 20% on works costs	1,56,000
Cost of production (of 18,000 units)	26,000
Less: closing stock of finished goods	1,30,000
Cost of goods sold (of 15,000 units)	30,000
Selling Overhead (15,000 units X Rs. 2)	1,60,000
Cost of sales	1,40,000
Add: Profit (Balancing fig.)	3,00,000
Sales	

Or, (a) What is variable cost? Give one example.

Ans. The cost which is fixed in per unit and change in total is known as variable cost.

Eg. Cost of raw materials.

(b) On the basis of information given below in respect of production of a certain product, prepare a statement of cost and find out its selling price :

Direct Material Consumed	Rs. 8,000
Direct Wages	Rs. 7,000
Direct Expenses	Rs. 2,000
Factory Overhead	Rs. 2,800
Office Overhead @ 15% on work cost.	
Profit 25% on sale.	

Cost Sheet

Particulars	Amount (Rs.)
Direct material consumed	8,000
Direct wages	7,000
Direct expenses	2000
Prime Cost	17,000
Factory Overhead	2,800
Works Cost	19,800
Office Overhead	2,970
Cost of sales	22,770
Profit (25/75 of cost)	7,590
Sales	30,360

PART- B
[TAXATION]
GROUP – A

Answer the following questions:

(1 X 12 = 12)

7. Choose the correct answer :

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

(a) **Income Tax**; (b) Central Excise Duty; (c) Customs duty; (d) Central Sales Tax

(ii) Mr.Z received Rs.400 as children education allowance per month from his employer for his only son. His taxable amount of children education allowance will be-

(a) **3600**; (b) 2300; (c) 4800 (d) none of these.

(iii) Residential Status of an individual assessee shall be determined as under

(a) once and it will continue for ever; (b) **each of the previous year separately**;
(c) every alternate 5 years; (d) none of these

(iv) As per section 2 (9) of the Income Tax Act, 1961, the tax paid for the year is known as

(a) Assessment Year; (b) **Previous Year**; (c) Next year ; (d) None of these

(v) Daily allowance to MLAs and MPs are

(a) fully taxable as Income from other source, (b) **fully exempted U/S 10 (17)**
(c) exempted up to Rs. 50,000, (d) fully taxable as Income from Salary

(vi) Number of heads as per Income Tax Act 1961 is

(a) 2 (b) **5** (c) 3 (d) 4

(vii) Mr. Mukherjee an Indian citizen left India first time for the purpose of employment . In the current previous year he will be treated as resident if he stayed India for

(a) **182 days** (b) 180 days (c) 50 days (d) 65 days

(viii) If an Indian origin visits India, then he should stay in India for Resident in India in the previous year

(a) 30 days (b) 60 days (c) **at least 182 days** (d) at least 50 days.

(ix) House Rent Allowance received by an employee from his employer is deductible under section

(a) 10 (14) (b) 10 (34) (c) **10 (13 A)** (d) 17 (2)

(x) If a person satisfy the conditions U/S 6(1) but does not satisfy the conditions U/S 6(6) then his residential status is

(a) Resident and ordinarily resident; (b) **Resident but not ordinarily resident** (c) Non resident

(d) Citizen

(xi) If a foreign company controlled from India, then Income from business will be taxable under

(a) Resident (b) Resident but not ordinarily resident (c) **Both (a) & (b)** (d) Non-resident

(xii) The maximum limits for Standard Deduction U/S 16 (ia) is

(a) Rs.30,000 (b) **40,000** (c) 60,000 (d) None of these.

GROUP – B

8. Answer the following questions (Alternative are to be noted) : (1X 6 = 6)

(i) What do you mean by assessment year?

Ans. It may be defined as the year in which income of previous year is assessed.

Or,

What is previous year?

Ans. It may be defined as the year income of which is assessed in the assessment year.

(ii) State at least one basic condition under Residential Status.

Ans. As per section 6 (1) an individual must be in India for at least 182 days.

Or,

What do you mean by assessee?

Ans. An assessee is a person income of that person is assessed in the assessment year.

(iii) Under which head gain from sale of fixed assets is taxable?

Ans. Gain from sale of assets is taxable under the head income from Capital Gain.

(iv) State the taxability of hostel expenditure allowances under income from salaries.

Ans. As per section 10 (14) Rule 2BB Hostel Expenditure Allowance is exempted Rs.300 p.m. per child for maximum 2 children.

Or, What is the taxability of business income of India received in India in the hands of non resident assessee?

Ans. As it is an Indian income it is fully taxable in the hands of non resident assessee.

(v) Mr. B Banerjee of Kolkata earns an income of Rs. 50,000 from an Agricultural Land situated in Nepal. What is the tax implication of this income?

Ans. As the income from outside India it is not treated as agricultural income.

(vi) Give one example of tax free perquisites.

Ans. Computer or laptop facility provides for personal use of the employee.

GROUP –C

Answer the following question (Alternatives are to be noted) : (4 X 3 =12)

9. What do you mean by person as per Income Tax Act 1961 ?

Ans. The term person includes the following:

(a) an individual

(b) a HUF

(c) a company

(d) a firm

(e) an association of person

(g) a local authority

(h) every artificial judicial person.

Or, Discuss the meaning of Specified Employee.

Ans. A person who is a director of a company having substantial interest at least 20 %
Or. Total monetary income is Rs. 50,000 or more in any previous year.

10. State with reason in brief whether the following incomes are agricultural income :

(a) Dividend received from Indian Company whose entire income is derived from agricultural operation.

(b) Income from agriculture, the land is situated in Bangladesh.

(c) Income from Poultry and Dairy.

(d) Salary received by a partner from a firm engaged in agricultural operation.

Ans. (a) Non- agricultural income.

(b) Non-agricultural income.

(c) Non – agricultural income.

(d) Agricultural income.

Or, Give any four example of partially agricultural and partially non-agricultural operation.

Ans. (i) Sale of coffee grown and cured by the seller in India.

(ii) Sale of tea grown and manufactured in India.

(iii) Sale of centrifuged or cenex or latex creps

(iv) In case of other commercial crops if agriculture produce is used as raw material.

11. From the information given below compute Total Income of Mr. X for the Assessment Year 2019-20 if he is a

(a) Resident and Ordinarily Resident

(b) Resident but not Ordinarily Resident

(i) Income from business in U.K. controlled from India Rs. 80,000

(ii) Income from business in India received in Japan for Rs. 50,000

(iii) Agricultural income from Nepal received there and remitted to India after 2 months for Rs. 30,000

(iv) Past untaxed foreign income for Rs.10,000 brought to India.

Ans. Computation of total income in the hands of Mr.X for the assessment year 2019-20

Particulars	ROR (Rs)	RBOR(Rs)
(i) Income from business in U.K. controlled from India	80,000	80,000
(ii) Income from business in India received in Japan	50,000	50,000
(iii) Agricultural income from Nepal received there and remitted to India after 2 months	30,000	-----
(iv) Past untaxed foreign income brought to India	-----	-----
Gross Total Income	1,60,000	1,30,000

GROUP – D

Answer the following question (Alternative is to be noted) :

(10 X 1= 10)

12. Mr. Y an employee of a private company supplied you the following information.
Compute his income from salary for the Assessment Year 2019-20.

	Amount (Rs.)
Basic Salary	30,000 p.m.
D.A. (part of retirement benefit)	10,000 p.m.

