CA Intermediate (New Syllabus)
Cost & Management Accounting (Paper 3)
May, 2022 - 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 - EOQ

Ref. Question : Q.36/52 & Q.47/56 - Volume I of our Version 3 notes.

Comment : Annual production of toys = 60,000 units (given)

Annual consumption of raw material = 60,000 / 5 = 12,000 kg.

Ordering cost per order = 400 +350 = ₹ 750 per order

Carrying cost per kg. per annum = (0.25 per month x 12) + 15 = ₹ 18

Que. 1(b) : [5 Marks]

Reference : Chapter 3 - Labour Cost - Labour Turnover

Ref. Question : Q.37/93, Q.46/100 & Q.48/102 - Volume I of our Version 3 notes.

Comment : Simple Question with reverse calculation.

Que. 1(c) : [5 Marks]

Reference : Chapter 13 - Marginal Costing - Decision Making

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

Comment : Simple Question of decision making

Part (ii) of the question can be solved using Cost BEP concept.

Que. 1(d) : [5 Marks]

Reference : Chapter 9 - Service Costing

Ref. Question : Q.5/46 - Volume II of our Version 3 notes.

Comment : Simple Question

Que. 2(a) : [10 Marks]

Reference : Chapter 4 - Overheads

Ref. Question : Q.29/126, Q.45/135 & Q.53/138 - Volume I of our Version 3 notes.

Comment : Moderate Question. Mathematical equation solving is required.

Que. 2(b) : [5 Marks]

Reference : Chapter 8 - Contract Costing

Ref. Question : Q.12/29 - Volume II of our Version 3 notes.

Comment : Simple Question.

Que. 2(c) : [5 Marks]

Reference : Job Costing & Process Costing

Ref. Theory : Page 81 (Process Costing) - Volume II of our Version 3 notes.

Comment : Simple Question.

Que. 3(a) : [10 Marks]

Reference : Chapter 13 - Marginal Costing & Chapter 15 - Budgetary Control

Part I is based on Key Factor concept & Part II is based on Production budget

Ref. Question : Q.73/84 & 74/84 for Key Factor - Volume III of our Version 3 notes.

Ref. Question : Q.23/166 & 24/166 for Production Budget - Volume III of our Version 3 notes.

Comment : It is a moderate question. Considering 10 marks, it is a time consuming question.

Hint : For Part I of the question, first decide the ranking based on contribution per labour hour. Then frame an equation assuming 'X' as the quantity of first rank product and '0.25X' as the quantity of second rank product to be produced in available 12,000 hours.

Que. 3(b) : [10 Marks]

Reference : Chapter 6 - Cost Sheet

Please refer page 191 for New Cost sheet format - Volume I of our Version 3 notes.

Ref. Question : Q.17/195 & Q.19/197 - Volume I of our Version 3 notes.

Comment : Simple question considering 10 marks.

Hint 1 : FG produced = 3,000 units and FG sold = 2,800 units.

Hint 2 : FIFO method of valuation is used for valuation of closing stock of FG.

Que. 4(a) : [10 Marks]

Reference : Chapter 10 - Process Costing

Ref. Question : Q.15/87 & Q.34/99 - Volume II of our Version 3 notes.

Comment : Moderate Question and little time consuming.

Hints : (a) Output of Process I is 'G' and output of Process II is 'GK'. (b) Normal loss in Process I is 10,500 kg. and Abnormal loss is 4,500 kg. (c) Out of 83,000 kg. of output of Process I; 60,000 kg. is transferred to Process II at cost and balance 23,000 kg. is sold @ ₹ 9 per kg. (d) Cost data of Process II is to be used only for taking the decision of further processing of 'G' into 'GK' using incremental profit/loss approach. (e) Input 'G' in Process II is 60,000 kg. and output 'GK' from Process II is 72,000 kg. (i.e. 60,000 x 1.20 kg.).

Que. 4(b) : [5 Marks]

Reference : Chapter 13 - Marginal Costing

Ref. Question : Q.47/74 - Volume III of our Version 3 notes.

Comment : Simple question.

Que. 4(c) : [5 Marks]

Reference : Chapter 12 - Cost Ledger Accounting - Integrated Accounts

Ref. Question : Q.24/14 & Q.49/51 - Volume III of our Version 3 notes.

Ref. Page : Page 1, 2 & 3 for all the journal entries.

Comment : Simple question.

Que. 5(a) : [10 Marks]

Reference : Chapter 5 - Activity Based Costing

Ref. Question : Q.7/170 - Volume I of our Version 3 notes.

Comment : Simple question.

Hints : (a) Total machine hours = 96,250 (volume x hrs. per unit) (b) Total overheads = 96,250 hrs. x ₹ 30 per hour = ₹ 28,87,500

Que. 5(b) : [5 Marks]

Reference : Chapter 14 - Standard Costing

Ref. Question : Q.15/117 & Q.14/117 - Volume III of our Version 3 notes.

Comment : Moderate question considering just 5 marks. It should have been asked for 10 marks.

Hints : (a) Standard hours = 1,000/20 = 50 gang hours (b) Use 3 variance method for analysis of variances (c) Assume 120 workers together in a gang can produce 20 units per hour at standard rate and they actually produced 1,000 units in 48 gang hours. (d) Convert gang hours into individual labour hours to solve the question.

Que. 5(c) : [5 Marks]

Reference : Chapter 11 - Joint Product Costing

Ref. Question : Q.9/134 & Q.13/136 - Volume II of our Version 3 notes.

Comment : Simple question considering just 5 marks.

Hints : Apportionment of joint cost has nothing to do with the decision of further processing.

Que. 6 : [5 Marks each 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 classroom notes and also in ICAI module.

(a) Ref. Page : Page 10 - Volume I - Version 3 notes

(b) Ref. Page : Page 32 & 33 - Volume I - Version 3 notes

(c) Ref. Page : Page 78 - Volume I - Version 3 notes

(d) Ref. Page : Page 107 - Volume III - Version 3 notes. One may use the difference between Cost Control & Cost Reduction to find out the shortcomings of standard costing.

(e) General Question : Ref. Q.30/20 - Volume I - Version 3 notes + MCQ's from Chapter 7.

General comment :

Paper was simple but lengthy. ICAI tried to cover almost all the chapters within total 120 marks paper set by them.

Important Note :

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

It is done to avoid the conflict of opinion between the Rakesh Sir's view and ICAI view.

This will avoid unnecessary confusion in the minds of students if the two approaches are different. It is better to wait and watch the ICAI view.

Thank God. This time, the errors in framing the question itself is avoided by ICAI.

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