(CA INTERMEDIATE MOCK TEST MAY 2021)

DATE: 28.02.2021 MAXIMUM MARKS: 100 TIMING: 3¼ Hours

PAPER : COSTING

Answer to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium. His/her answer in Hindi will not be valued.
Question No. 1 is compulsory.
Candidates are also required to answer any Four questions from the remaining Five Questions.
In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.
Wherever necessary, suitable assumptions may be made and disclosed by way of note.

Answer 1:

(a) Option (i)

Increase in profit when due to change in a manufacturing process there is reduction in joint fixed cost and increase in variable costs.

	(Rs.)
Revised Contribution from 12,000 units of A due to 7.5% increase in Variable Cost {12,000 units × (Rs. 200 – Rs. 129)}	8,52,000
Revised Contribution from 12,000 units of B due to 7.5% increase in Variable Cost {12,000 units × (Rs. 120 – Rs. 64.50)}	6,66,000
Total Revised Contribution	15,18,000
Less: Fixed Cost (Rs. 15,00,000 – 15% × Rs. 15,00,000)	12,75,000
Revised Profit	2,43,000
Less: Existing Profit	1,80,000
Increase in Profit	63,000 } **{1 M}**

Option (ii)

Increase in profit when the price of product A increased by 20% and the price elasticity of its demand would be unity over the range of price.

	(Rs.)
Budgeted Revenue from Product A (12,000 units × Rs. 200)	24,00,000
Revised Demand (in units) (Rs. 24,00,000 / Rs. 240)	10,000
Revised Contribution (in Rs.) [10,000 units × (Rs. 240 – Rs. 120)]	12,00,000
Less: Existing Contribution (12,000 units × Rs. 80)	9,60,000
Increase in Profit (Contribution)	2,40,000 } **{1 M}**

***Note:** Since Price Elasticity of Demand is 1, therefore the Revenue in respect of Products will remain same.

Option (iii)

Increase in profit on the simultaneous introduction of above two options.

	(Rs.)
Revised Contribution from Product A [10,000 units × (Rs. 240 – Rs. 129)]	11,10,000
Revised Contribution from Product B [12,000 units × (Rs. 120 – Rs. 64.50)]	6,66,000
Total Revised Contribution	17,76,000
Less: Revised Fixed Cost	12,75,000
Revised Profit	5,01,000
Less: Existing Profit	1,80,000
Increase in Profit	3,21,000 } **{1 M}**

A comparison of increase in profit figures under above three options clearly indicates that the option (iii) is the best as it increases the profit of the concern by Rs. 3,21,000.

Note: The budgeted profit / (loss) for 2018 in respect of products A and B should be Rs. 2,10,000 and (Rs. 30,000) respectively instead of Rs. 1,50,000 and Rs. 30,000.

Workings

1. Contribution per unit of each product: {1 M}

	Product	
	A (Rs.)	**B (Rs.)**
Contribution per unit	80	60
(Sales × P/V Ratio)	(Rs. 200 × 40%)	(Rs. 120 × 50%)

2. Number of units to be sold: {1 M}

Total Contribution – Fixed Cost = Profit

Let x be the number of units of each product sold, therefore: (80x + 60x) – Rs. 15,00,000 = Rs. 1,50,000 + Rs. 30,000

Or x = 12,000 units

Answer:

(b) (a) **Working Notes:**

Particulars	**For 4 weeks**	**For 1 week (by dividing by 4)**
Total distance travelled (40 k.m × 2 × 2 trips × 5 days × 4 weeks)	3,200 km	800 km
Total tonne km (40 k.m × 10 tonnes × 2 × 5 days × 4 weeks)	16,000 tonne km	4,000 tonne km

{1 M}

(i) Statement showing Operating Cost

Amount (Rs.)

	Particulars	**For 4 weeks**	**For 1 week (by dividing by 4)**
A.	Fixed Charges:		
	Drivers' wages (Rs. 2,500 x 4 weeks)	10,000	2,500
	Garage rent (Rs. 800 × 4 weeks)	3,200	800
	Insurance {(Rs. 18,200 ÷ 52 weeks) × 4 weeks}	1,400	350
	Vehicle license {(Rs. 7,800 ÷ 52 weeks) × 4 weeks}	600	150
	Other overheads cost {(Rs. 41,600 ÷ 52 weeks) × 4 weeks}	3,200	800
	Total (A)	18,400	4,600
B.	Running Cost:		
	Cost of diesel {(3,200 ÷ 8 kms) × Rs. 60}	24,000	6,000
	Engine Oil (Rs. 200 × 4 weeks)*	800	200
	Repairs (Rs. 600 × 4 weeks)*	2,400	600
	Depreciation on vehicle $\left(\frac{₹9,50,000 - ₹1,50,000}{1,60,000\,km} \times 3,200\,km\right)$	16,000	4,000
	Depreciation on tyres Depreciation on tyres $\left(\frac{₹52,500}{25,000\,km} \times 3,200\,km\right)$	6,720	1,680
	Total (B)	49,920	12,480
C.	Total Cost (A + B)	68,320	17,080

{1/4 M Each}

{1/4 M Each}

*Cost of engine oil & repairs may also be treated as fixed cost, as the question relates these with time i.e. in weeks instead of running of vehicle.

(ii) Calculation of vehicle operating cost:

Operating cost per k.m. = ₹ 68,320 / 3,200 kms **or** ₹ 17,080 / 800 Kms = **₹ 21.35** {1/2 M}

Operating cost per Tonne-k.m. = ₹ 68,320 / 16,000 or ₹ 17,080 / 4,000 = **₹ 4.27** {1/2 M}

Answer:

(c) Statement of cost per batch and per order

No. of batch = 600 units ÷ 50 units = 12 batches

	Particulars	Cost per batch (Rs.)	Total Cost (Rs.)	
	Direct Material Cost	5,000.00	60,000	{1/4 M Each}
	Direct Wages	500.00	6,000	
	Oven set-up cost	750.00	9,000	
	Add: Production Overheads (20% of Direct wages)	100.00	1,200	
	Total Production cost	6,350.00	76,200	
	Add: S&D and Administration overheads (10% of Total production cost)	635.00	7,620	
	Total Cost	6,985.00	83,820	
	Add: Profit (1/3rd of total cost)	2,328.33	27,940	
(i)	Sales price	9,313.33	1,11,760	
	No. of units in batch	50 units		{1/4 M Each}
(ii)	Cost per unit (Rs. 6,985 ÷ 50 units)	139.70		
	Selling price per unit (9,313.33 ÷ 50 units)	186.27		

(iii) If the order is for 605 cakes, then selling price per cake would be as below:

Particulars	Total Cost (Rs.)	
Direct Material Cost	60,500	
Direct Wages (Rs. 500 × 13 batches)	6,500	
Oven set-up cost (Rs. 750 × 13 batches)	9,750	
Add: Production Overheads (20% of Direct wages)	1,300	{1/4 M Each}
Total Production cost	78,050	
Add: S&D and Administration overheads (10% of Total production cost)	7,805	
Total Cost	85,855	
Add: Profit (1/3rd of total cost)	28,618	
Sales price	1,14,473	
No. of units	605 units	
Selling price per unit (Rs. 1,14,473 ÷ 605 units)	189.21	

Answer:

(d) Calculation of :

1. Time saved and wages:

Workmen	A	B	
Standard time (hrs.)	40	40	{1 M}
Actual time taken (hrs.)	32	30	
Time saved (hrs.)	8	10	
Wages paid @ Rs. x per hr. (Rs.)	32x	30x	

2. **Bonus Plan:**

	Halsey	Rowan
Time saved (hrs.)	8	10
Bonus (Rs.)	4 x $\left[\frac{8\ hrs\ x\ Rs.\ x}{2}\right]$	7.5 x $\left[\frac{10\ hrs}{40\ hrs}\ x\ 30hrs\ x\ Rs.\ x\right]$

{1 M}

3. **Total wages:**

Workman A: 32x + 4x= Rs. 36x Workman B: 30x + 7.5x = Rs. 37.5x {1 M}

Statement of factory cost of the job

Workmen	A (Rs.)	B (Rs.)
Material cost (assumed)	Y	y
Wages (shown above)	36x	37.5x
Works overhead	240	225
Factory cost (given)	2,600	2,600

{1 M}

The above relations can be written as follows: 36x + y + 240 = 2,600 (i)
37.5x + y + 225 = 2,600 (ii)
Subtracting (i) from (ii) we get 1.5x – 15 = 0
Or, 1.5 x = 15
Or, x =Rs. 10 per hour
On substituting the value of x in (i) we get y = Rs. 2,000
Hence the wage rate per hour is Rs. 10 and the cost of raw material is Rs. 2,000 on the job.

{1 M}

Answer 2:

(a) (a) **Overhead Distribution Statement**

	Production Departments		Service Departments	
	Machine Shops	Packing	General Plant	Stores
Allocated Overheads:	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Indirect labour	8,000	6,000	4,000	11,000
Maintenance Material	3,400	1,600	2,100	2,800
Misc. supplies	1,500	2,900	900	600
Supervisor's salary	--	--	16,000	--
Cost & payroll salary	--	--	80,000	--
Total allocated overheads	12,900	10,500	1,03,000	14,400
Add: Apportioned Overheads (As per Schedule below)	1,84,350	70,125	22,775	73,150
	1,97,250	80,625	1,25,775	87,550

{1/2 M Each}

Schedule of Apportionment of Overheads

Item of Cost	Basis	Production Departments		Service Departments	
		Machine Shops (Rs.)	Packing (Rs.)	General Plant (Rs.)	Stores (Rs.)
Power	HP hours (7 : 1 : - : 2)	54,600	7,800	--	15,600
Rent	Floor space (5 : 2 : 1 : 4)	30,000	12,000	6,000	24,000
Fuel & Heat	Radiator sec. (3 : 6 : 2 : 4)	12,000	24,000	8,000	16,000
Insurance	Investment	7,500	2,250	750	1,500

{1/2 M Each}

	(10 : 3 : 1 : 2)				
Taxes	Investment (10 : 3 : 1 : 2)	5,250	1,575	525	1,050
Depreciation	Investment (10 : 3 : 1 : 2)	75,000	22,500	7,500	15,000
		1,84,350	70,125	22,775	73,150

(b) **Re-distribution of Overheads of Service Departments to Production Departments:**

Let, the total overheads of General Plant = 'a' and the total overheads of Stores = 'b'

a = 1,25,775 + 0.3b……(i)

b = 87,550 + 0.2a……(ii)

Putting the value of 'b' in equation no. (i)

a = 1,25,775 + 0.3 (87,550 + 0.2a)

Or a = 1,25,775 + 26,265 + 0.06a

Or 0.94a = 1,52,040 Or a = 1,61,745 (appx.)

Putting the value of a = 1,61,745 in equation no. (ii) to get the value of 'b'

b = 87,550 + 0.2 × 1,61,745 = 1,19,899

{2 M}

Secondary Distribution Summary

Particulars	Total (Rs.)	Machine Shops (Rs.)	Packing (Rs.)
Allocated and Apportioned overheads as per Primary distribution	2,77,875	1,97,250.00	80,625.00
- General Plant	1,61,745	80,872.50	48,523.50
		$(1{,}61{,}745 \times \frac{5}{10})$	$(1{,}61{,}745 \times \frac{3}{10})$
- Stores	1,19,899	59,949.50 (1,19,899 × 50%)	23,979.80 (1,19,899 ×20%)
		3,38,072.00	1,53,128.30

{2 M}

Answer:

(b) (i) Calculation of Economic Order Quantity:

$$EOQ = \sqrt{\frac{2 \times A \times O}{Ci}} = \sqrt{\frac{2 \times (60{,}000\ packs \times 12\ months) \times Rs.\ 240}{Rs.\ 228 \times 10\%}}$$

{2 M}

= 3,893.3 packs or 3,893 packs.

(ii) Number of orders per year

$$\frac{Annual\ requirements}{E.O.Q} = \frac{7{,}20{,}000\ packs}{3{,}893\ packs} = 184.9\ or\ 185\ orders\ a\ year$$

{2 M}

(iii) Ordering and storage costs

	(Rs.)
Ordering costs :– 185 orders x Rs. 240	44,400.00
Storage cost :– ½ (3,893 packs x 10% of Rs. 228)	44,380.20
Total cost of ordering & storage	88,780.20

{2 M}

(iv) Timing of next order

(a) Day's requirement served by each order.

Number of days requirement $= \frac{No.\ of\ working\ days}{No.\ of\ order\ in\ a\ year} = \frac{360 days}{185 orders} = 1.94\ days$

supply.

{2 M}

This implies that each order of 3,893 packs supplies for requirements of 1.94 days only.

(b) Days requirement covered by inventory

$$= \frac{Units\ in\ inventory}{Economic\ order\ quantity}\ x\ (Day's\ requirement\ served\ by\ an\ order)$$

$$\therefore \frac{10{,}033\ packs}{3{,}893\ packs}\ x\ 1.94\ days = 5\ days\ requirment$$

{1 M}

(c) Time interval for placing next order
Inventory left for day's requirement – Average lead time of delivery
5 days – 5 days = 0 days

This means that next order for the replenishment of supplies has to be placed immediately.

{1 M}

Answer 3:

(a) (i) Calculation of Raw Material inputs during the month:

Quantities Entering Process	Litres	Quantities Leaving Process	Litres
Opening WIP	800	Transfer to Finished Goods	4,200
Raw material input (balancing figure)	5,360	Process Losses	1,800
		Closing WIP	160
	6,160		6,160

{1 M}

(ii) Calculation of Normal Loss and Abnormal Loss/Gain

	Litres
Total process losses for month	1,800
Normal Loss (10% input)	536
Abnormal Loss (balancing figure)	1,264

{1 M}

(iii) Calculation of values of Raw Material, Labour and Overheads added to the process:

	Material	Labour	Overheads
Cost per equivalent unit	Rs. 23.00	Rs. 7.00	Rs. 9.00
Equivalent units (litre) (refer the working note)	4,824	4,952	5,016
Cost of equivalent units	Rs. 1,10,952	Rs. 34,664	Rs. 45,144
Add: Scrap value of normal loss (536 units × Rs. 15)	Rs. 8,040	--	--
Total value added	Rs. 1,18,992	Rs. 34,664	Rs. 45,144

{3 M}

Workings:

Statement of Equivalent Units (litre):

Input Details	Units	Output details	Units	Equivalent Production					
				Material		Labour		Overheads	
				Units	(%)	Units	(%)	Units	(%)
Opening WIP	800	Units completed:							
Units introduced	5,360	- Opening WIP	800	--	--	240	30	320	40
		- Fresh inputs	3,400	3,400	100	3,400	100	3,400	100
		Normal loss	536	--	--	--	--	--	--
		Abnormal loss	1,264	1,264	100	1,264	100	1,264	100
		Closing WIP	160	160	100	48	30	32	20
	6,160		6,160	4,824		4,952		5,016	

{3 M}

(iv) Process Account for Month

	Litres	Amount (Rs.)		Litres	Amount (Rs.)
To Opening WIP	800	26,640	By Finished goods	4,200	1,63,800
To Raw Materials	5,360	1,18,992	By Normal loss	536	8,040
To Wages	--	34,664	By Abnormal loss	1,264	49,296
To Overheads	--	45,144	By Closing WIP	160	4,304
	6,160	2,25,440		6,160	2,25,440

{2 M}

Answer:

(b) In case of escalation clause in a contract, a contractor is paid for the any increase in price of materials and rate of labours which are beyond the control of the contractor. Any increase in the cost due to inefficiencies in usage of the materials and labours are not admissible. Thus any increase in cost due to usage in excess of standard quantity or hours arenot paid.

(i) Statement showing Additional claim due to Escalation clause.

	Standard Qty/Hours (a)	Std. Rate (Rs.) (b)	Actual Rate (Rs.) (c)	Variation in Rate (Rs.) (d) = (c-b)	Escalation Claim (Rs.) (e) = (a × d)
Material:					
A	3,000	1,000	1,100	+100	+3,00,000
B	2,400	800	700	-100	-2,40,000
C	500	4,000	3,900	-100	-50,000
D	100	30,000	31,500	+1,500	+1,50,000
Material escalation claim					1,60,000
Labour:					
L1	60,000	15	18	+3	+1,80,000
L2	40,000	30	35	+5	+2,00,000
Labour escalation claim					3,80,000

{1/2 M Each}

Statement showing Final Contract Price

	(Rs.)	(Rs.)
Agreed contract price		1,50,00,000
Add: Agreed escalation claim:		
Material Cost	1,60,000	
Labour Cost	3,80,000	5,40,000
Final Contract Price		1,55,40,000

{2 M}

(ii) **Contract Account**

Dr. Cr.

Particulars		(Rs.)	Particulars	(Rs.)
To Material:			By Contractee's A/c	1,55,40,000
A – (3,400 × Rs. 1,100)	37,40,000			
B – (2,300 × Rs. 700)	16,10,000			
C – (600 × Rs. 3,900)	23,40,000			
D – (90 × Rs. 31,500)	28,35,000	1,05,25,000		
To Labour:				
L1 – (56,000 × Rs.18)	10,08,000			
L2 – (38,000 × Rs.35)	13,30,000	23,38,000		
To Other expenses		13,45,000		
To Estimated Profit		13,32,000		
		1,55,40,000		1,55,40,000

{1 M}

{1/4 M Each}

Answer 4:

(a) Material Price Variance = Actual Quantity (Std. Price – Actual Price)
X = 12,500 units (Rs. 40 – Rs. 44) = 50,000 (A)
Y = 18,000 units (Rs. 30 – Rs. 28) = 36,000 (F)
Z = 88,500 units (Rs. 10 – Rs. 12) = 1,77,000 (A) 1,91,000 (A) } {2 M}

Material Usage Variance = Std. Price (Std. Qty – Actual Qty.)
X = Rs.40 (6,000 × 2–12,500) = 20,000 (A)
Y = Rs.30 (6,000 × 3–18,000) = Nil
Z = Rs.10 (6,000 × 15–88,500) = 15,000 (F) 5,000 (A) } {2 M}

Material Mix Variance = Std. Price (Revised Std. Qty.– Actual Qty.)

$X = Rs.40\ (\frac{1,19,000\times2}{20} - 12,500) = 24,000\ (A)$

$Y = Rs.30\ (\frac{1,19,000\times3}{20} - 18,000) = 4,500\ (A)$

$Z = Rs.10\ (\frac{1,19,000\times15}{20} - 88,500) = 7,500\ (F)$ 21,000 (A) } {2 M}

Material Yield Variance = Std. Price (Std. Qty. – Revised Std. Qty.)

$X = Rs.40\ (6,000 \times 2 - \frac{1,19,000\times2}{20}) = 4,000\ (F)$

$Y = Rs.30\ (6,000 \times 3 - \frac{1,19,000\times3}{20}) = 4,500\ (F)$

$Z = Rs.10\ (6,000 \times 15 - \frac{1,19,000\times15}{20}) = 7,500\ (F)$ 16,000 (F) } {2 M}

Labour Rate Variance = Actual Hours (Std. Rate – Actual Rate)
= 2,500 hours (Rs. 55 – Rs. 58) = 7,500 (A) } {1 M}

Labour Efficiency Variance = Std. Rate (Std. Hours – Actual Hours)
= Rs. 55 (6,000 × 3–17,500)= 27,500(F) } {1 M}

Answer:

(b) (i) **Preparation of Production Budget (in units)**

	October	November	December	January
Demand for the month (Nos.)	40,000	35,000	45,000	60,000
Add: 20% of next month's demand	7,000	9,000	12,000	13,000
Less: Opening Stock	(9,500)	(7,000)	(9,000)	(12,000)
Vehicles to be produced	**37,500**	**37,000**	**48,000**	**61,000**

}{1/4 M Each}

(ii) **Preparation of Purchase budget forPart-X**

	October	November	December
Production for the month (Nos.)	37,500	37,000	48,000
Add: 40% of next month's production	14,800 (40% of 37,000)	19,200 (40% of 48,000)	24,400 (40% of 61,000)
	52,300	56,200	72,400
No. of units required for production	2,09,200 (52300 × 4 units)	2,24,800 (56200 × 4 units)	2,89,600 (72,400 × 4 units)
Less: Opening Stock	(48,000)	(59,200) (14800 × 4 units)	(76,800) (19200 × 4 units)
No. of units to be purchased	**1,61,200**	**1,65,600**	**2,12,800**

}{1 M Each}

(iii) **Budgeted Gross Profit for the Quarter October to December**

	October	November	December	Total
Sales in nos.	40,000	35,000	45,000	1,20,000
Net Selling Price per unit*	7,28,535	7,28,535	7,28,535	
Sales Revenue (Rs. in lakh)	2,91,414	2,54,987.25	3,27,840.75	8,74,242
Less: Cost of Sales (Rs. in lakh) (Sales unit × Cost per unit)	2,28,560	1,99,990.00	2,57,130.00	6,85,680
Gross Profit (Rs. in lakh)	**62,854**	**54,997.25**	**70,710.75**	**1,88,562**

{1 M Each}

* Net Selling price unit = Rs. 8,57,100 – 15% commission on Rs. 8,57,100 = Rs. 7,28,535. {1 M}

Answer 5:

(a) (i) Costing Profit and Loss Account for the year ended 31st March 2019:

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Material consumed	**14,16,000**	Sales (30,000 units)	**30,00,000**
Direct wages	**7,42,000**		
Prime Cost	**21,58,000**		
Works overheads (20% of Prime cost)	**4,31,600**		
	25,89,600		
Less: Work in progress	**(54,000)**		
Factory cost	**25,35,600**		
Administration overheads (Rs. 5 × 32,000 units)	**1,60,000**		
Cost of production	**26,95,600**		
Less: Finished stock	**(1,68,475)**		
Cost of goods sold	**25,27,125**		
Selling and distribution overheads (Rs.6 × 30,000 unit)	**1,80,000**		
Cost of sales	**27,07,125**		
Profit (balancing figure)	**2,92,875**		
	30,00,000		**30,00,000**

{1/4 M Each} {1/4 M Each}

(ii) Statement reconciling the profit as per costing profit and loss account with the profit as per financial accounts

Particulars	Amount (Rs.)	Amount (Rs.)
Profit as per cost records		2,92,875
Add: Overheads over-absorbed:		
- Works overheads (Rs. 4,31,600 – Rs. 4,26,000)	5,600	
- Administration OH (Rs. 1,60,000 – Rs. 1,50,000)	10,000	
- Selling and Distribution (Rs. 1,80,000 – Rs. 1,65,000)	15,000	30,600
Less: Closing stock overvalued (Rs. 1,68,475 – Rs. 1,67,500)		(975)
Profit as per financial accounts		3,22,500

{1 M Each} {3/4 M}

*It is assumed that the number of units Produced
= Number of units sold + Finished stock = 30,000 + 2,000 = 32,000 units.

Answer:

(b) (i) Calculation of cost driver rate:

Cost pool	Budgeted overheads (Rs.)	Cost driver	Cost driver rate (Rs.)
Material procurement	18,42,000	1,200	1,535.00
Material handling	8,50,000	1,240	685.48
Maintenance	24,56,000	17,550	139.94

{1 M Each}

Set-up	9,12,000	1,450	628.97
Quality control	4,42,000	1,820	242.86

(ii) Calculation of cost for the batch:

Particulars	Amount (Rs.)	Amount (Rs.)
Material cost		24,62,000.00
Wages		4,68,500.00
Overheads:		
- Material procurement (Rs. 1,535 x 56 orders)	85,960.00	
- Material handling (Rs. 685.48 x 84 movements)	57,580.32	
- Maintenance (Rs. 139.94 x 1,420 hours)	1,98,714.80	
- Set-up (Rs. 628.97 x 60 set-ups)	37,738.20	
- Quality control (Rs. 242.86 x 18 inspections)	4,371.48	3,84,364.80
Total Cost		33,14,864.80
No. of units		7,600
Cost per units		436.17

{1/2 M Each}

Answer 6:

(a) To exercise control over cost, following steps are followed:

(i) Determination of pre-determined standard or results: Standard cost or performance targets for a cost object or a cost centre is set before initiation of production or service activity. These are desired cost or result that need to be achieved.

(ii) Measurement of actual performance: Actual cost or result of the cost object or cost centre is measured. Performance should be measured in the same manner in which the targets are set i.e. if the targets are set up operation-wise, and then the actual costs should also be collected and measured operation-wise to have a common basis for comparison.

(iii) Comparison of actual performance with set standard or target: The actual performance so measured is compared against the set standard and desired target. Any deviation (variance) between the two is noted and reported to the appropriate person or authority.

(iv) Analysis of variance and action: The variance in results so noted are further analysed to know the reasons for variance and appropriate action is taken to ensure compliance in future. If necessary, the standards are further amended to take developments into account.

{$1^{1/4}$ M Each}

Answer:

(b)

	Bill of Materials		Material Requisition Note
1.	It is the document prepared by the engineering or planning department.	1.	It is prepared by the production or other consuming department.
2.	It is a complete schedule of component parts and raw materials required for a particular job or work order.	2.	It is a document authorizing Store- keeper to issue materials to the consuming department.
3.	It often serves the purpose of a material requisition as it shows the complete schedule of materials required for a particular job i.e. it can replace material requisition.	3.	It cannot replace a bill of materials.
4.	It can be used for the purpose of quotations.	4.	It is useful in arriving historical cost only.
5.	It helps in keeping a quantitative control on materials drawn through material requisition.	5.	It shows the material actually drawn from stores.

{1 M Each}

Answer:

(c) Financial expenses causing differences in Financial and Cost Accounts:

(i) Interest on loans or bank mortgages.
(ii) Expenses and discounts on issue of shares, debentures etc.
(iii) Other capital losses i.e., loss by fire not covered by insurance etc.
(iv) Losses on the sales of fixed assets and investments.
(v) Goodwill written off.
(vi) Preliminary expenses written off.
(vii) Income tax, donations, subscriptions.
(viii) Expenses of the company's share transfer office, if any.

{Any 5 = 5 Marks} (1 Mark Each}

Answer:

(d) Standing Charges: These are the fixed costs that remain constant irrespective of the distance travelled. These costs include the following- **{1 M}**

- Insurance
- License fees
- Salary to Driver, Conductor, Cleaners, etc. if paid on monthly basis
- Garage costs, including garage rent
- Depreciation (if related to efflux of time)
- Taxes
- Administration expenses, etc.

{1/2 M Each}

Running Charges: These costs are generally associated with the distance travelled. These costs include the following- **}{1 M}**

- Petrol and Diesel
- Lubricant oils,
- Wages to Driver, Conductor, Cleaners, etc. if it is related to operations
- Depreciation (if related to activity)
- Any other variable costs identified.

{1/2 M Each}

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