

(GI-1, GI-2, GI-3, GI-4, VI-1 & SI-1)

DATE: 29.07.2019

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) Annual consumption 250 kg × 52 weeks = 13,000 kg.

$$(i) \quad \text{Re-order Quantity or EOQ} = \sqrt{\frac{2 \times A \times O}{c \times i}}$$

A = Annual Consumption = 13,000 kg

O = Ordering Cost = Rs. 1,500

C = Cost per kg = Rs.. 100

i = carrying cost rate = 9.75%

Carrying cost per kg per annum (c × i) = 100 × 9.75% = Rs.. 9.75

$$\therefore \text{EOQ} = \sqrt{\frac{2 \times 13,000 \times 1,500}{9.75}}$$

$$= \sqrt{\frac{39000000}{9.75}} = 2000 \text{ kg. } \quad \left. \vphantom{\sqrt{\frac{39000000}{9.75}}} \right\} \{1 \text{ M}\}$$

$$(ii) \quad \text{Re-order level} = \text{Max. re-order period} \times \text{Max, Consumption} \\ = 7 \text{ weeks} \times 300 \text{ kg} = 2,100 \text{ kg} \quad \left. \vphantom{7 \times 300} \right\} \{1 \text{ M}\}$$

$$(iii) \quad \text{Maximum level} = \text{Re-order level} + \text{Re-order Qty} - (\text{Min re-order Period} \times \text{Min. Consumption}) \\ = 2100 \text{ kg} + 2000 \text{ kg} - (5 \times 200) \text{ kg} = 3100 \text{ kg. } \quad \left. \vphantom{2100 + 2000 - (5 \times 200)} \right\} \{1 \text{ M}\}$$

$$(iv) \quad \text{Minimum level} = \text{Re-order level} - (\text{Avg. re-order period} \times \text{Avg. Consumption}) \\ = 2,100 \text{ kg} - (6 \times 250) \text{ kg} = 600 \text{ kg. } \quad \left. \vphantom{2100 - (6 \times 250)} \right\} \{1 \text{ M}\}$$

$$(v) \quad \text{Avg. stock level} = \frac{1}{2} (\text{Max. level} + \text{Min. level})$$

$$= \frac{1}{2} (3100 + 600) = 1850 \text{ kg}$$

OR

$$= \text{Minimum level} + \frac{1}{2} \text{ROQ}$$

$$= 600 \text{ kg.} + \frac{1}{2} \times 2000 \text{ kg.} = 1600 \text{ kg. } \quad \left. \vphantom{600 + \frac{1}{2} \times 2000} \right\} \{1 \text{ M}\}$$

Answer:

(b) Calculation of Variances:

- (i) Fixed Overhead Variance: Standard fixed overhead – Actual fixed overhead
= Rs. [(5,00,000 ÷ 5000) × 4800] – Rs. 4,90,000 = Rs. 10,000 (A) } {2 M}
- (ii) Fixed Overhead Expenditure Variances:
Budgeted fixed overhead – Actual fixed overhead } {1 M}
= Rs. 5,00,000 – Rs. 4,90,000 = Rs. 10,000 (F)
- (iii) Fixed Overhead Volume Variance: Standard fixed overhead – Budgeted fixed overhead
= Rs. 4,80,000 – Rs. 5,00,000 = Rs. 20,000 (A) } {1 M}
- (iv) Fixed Overhead efficiency Variance: Standard fixed overhead – Budgeted fixed overhead for Actual days
= Rs. 4,80,000 – [(Rs. 5,00,000 ÷ 25) × 23] = Rs. 20,000 (F) } {1 M}

Answer

(c) (a) (i) Calculation of Economic Order Quantity

$$EOQ = \sqrt{\frac{2AO}{C}} = \sqrt{\frac{2 \times 12,000 \text{ units} \times \text{Rs. } 1,800}{\text{Rs. } 640 \times 18.75 / 100}} = 600 \text{ units } \} \{2 M\}$$

(ii) Evaluation of Profitability of Different Options of Order Quantity
When EOQ is ordered

		(Rs.)
Purchase Cost	(12,000 units x Rs. 640)	76,80,000
Ordering Cost $[\frac{A}{Q} \times O - 1,800]$	(12,000 units/ 600 units) x Rs. 1,800	36,000
Carrying Cost $[\frac{Q}{2} \times C \times i - 100]$	600 units x Rs. 640 x 1/2 x 18.75/100	36,000
Total Cost		77,52,000

(b) When Quantity Discount is accepted

		(Rs.)
Purchase Cost	(12,000 units x Rs. 608)	72,96,000
Ordering Cost $[\frac{A}{Q} \times O - 1,800]$	(12,000 units/3,000 units) x Rs. 1,800	7,200
Carrying Cost $[\frac{Q}{2} \times C \times i - 18.75/100]$	(3,000 units x Rs. 608 x 1/2 x 18.75/100)	1,71,000
Total Cost		74,74,200

Advise – The total cost of inventory is higher if EOQ is adopted. If M/s. X Private Limited gets a discount of 5% on the purchases of "SKY BLUE" (if order size is 3,000 components at a time), there will be financial benefit of Rs. 2,77,800 (77,52,000 - 74,74,200). However, order size of big quantity will increase volume of average inventory to 5 times. There may be risk of shrinkage, pilferage and obsolescence etc., of inventory due to increase in the average volume of inventory holding. This aspect also has to be taken into consideration before opting the discount offer and taking final decision. } {1 M}

Answer:

(d)

- | | | | |
|------|---|-------|-------|
| | | Rs. | |
| (i) | Rowan Plan : Normal time wage = 15 hours @ Rs. 5= | 75 | } |
| | Bonus = Time saved /Time allowed × (Time taken × Time rate) | 18.75 | |
| | = $\frac{5}{20} \times (15 \times 5) =$ | 93.75 | |
| | | | {1 M} |
| (ii) | Halsey Plan: Normal time wage = 15 hours @ Rs. 5 = | 75 | } |
| | Bonus = 50% of (Time saved × Time rate) = 50% of (5×5) = | 12.5 | |
| | | 87.5 | |
| | | | {1 M} |

Statement of Comparative Factory cost of work

	Rowan Plan	Halsey Plan
	Rs.	Rs.
Materials	50	50
Direct Wages	93.75	87.5
Prime Cost	143.75	137.5
Factory Overhead (100% of Direct wages)	93.75	87.5
Factory Cost	{1.5 M} 237.5	{1.5 M} 225

Answer 2 :

(a) Working Note:

$$\text{Overhead Absorption Rate} = \frac{51,79,300}{3,01,39,000} \times 100 = 17.18\%$$

(i) Cost of Product Under Absorption Costing

Item of Cost	Amount (Rs.)
Material	26,38,700
Wages	3,75,200
Prime Cost	30,13,900
Overheads: = $\frac{51,79,300}{3,01,39,000} \times 30,13,900$	5,17,930
Total Cost	35,31,830
Units	15,000
Cost per unit	235.46

(ii) Cost driver rate, total cost and cost per unit on the basis of activity-based costing method Absorption Costing

Calculation of Cost Driver rate:

Activity	Rs.	Activity Volume	Cost Driver Rate
Material Procurement	22,50,000	1500	1500
Maintenance	17,30,000	9080	190.53
Setup	6,84,500	2250	304.22
Quality Control	5,14,800	2710	189.96

Calculation of total Cost and cost per unit:

Item of Cost	Amount (Rs.)
Material	26,38,700
Wages	3,75,200
Prime Cost	30,13,900
Material Purchase $\left(\frac{22,50,000}{1,500} \times 48 \right)$	72,000

Maintenance	$\left(\frac{17,30,000}{9,080} \times 810\right)$	1,54,328	{1/2 M}
Setup	$\left(\frac{6,84,500}{2,250} \times 40\right)$	12,169	{1/2 M}
Quality Control	$\left(\frac{5,14,800}{2,710} \times 25\right)$	4,749	{1/2 M}
Total Cost		32,57,146	{1 M}
Unit		15,000	{1 M}
Cost per unit		217.14	{1 M}

Answer:

(b) (i) Raw Material Control A/c

	(Rs.)		(Rs.)
To Balance b/d	2,82,450	By General Ledger Adjustment A/c	27,200
To General Ledger Adjustment A/c	12,43,810	By Work-in-progress Control A/c	13,60,430
		By Costing P&L A/c (Loss) (OR GLA)	6,000
		By Balanced c/d	1,32,630
	15,26,260		15,26,260

(ii) Work-in-Progress Control A/c

	(Rs.)		(Rs.)
To Balance b/d	2,38,300	By Finished Goods Control A/c	13,76,200
To Raw Material Control A/c	13,60,430	By Costing P&L A/c (OR GLA)	12,300
To Wages Control A/c	2,56,800	By Balance c/d	6,03,380
To Factory OH Control A/c	1,36,350		
	19,91,880		19,91,880

(iii) Finished Goods Control A/c

	(Rs.)		(Rs.)
To Balance b/d	3,92,500	By Cost of goods sold A/c (OR GLA)	14,56,500
To General Ledger Adjustment A/c	45,900	By Balance c/d	3,58,100
To Work-in-process Control A/c	13,76,200		
	18,14,600		18,14,600

(iv) General Ledger Adjustment A/c

	(Rs.)		(Rs.)
To Costing P&L A/c (sales) (Balancing figure)	25,68,910	By Balance b/d	9,13,250
To Raw Material Control A/c	27,200	By Raw Material Control A/c	12,43,810
		By Wages Control A/c	2,56,800
		By Factory OH Control A/c	1,36,350
		By Finished Goods Control A/c	45,900
	25,96,110		25,96,110

OR

General ledger adjustment account

	(Rs.)		(Rs.)
To Raw Material Control A/c	27,200	By Balance b/d	9,13,250
To Raw Material control account(loss)	6,000	By Raw Material Control A/c	12,43,810
To WIP control Account (rejection)	12,300	By Wages Control A/c	2,56,800
To Finished stock Control Account	14,56,500	By Factory OH Control A/c	1,36,350
To Balance c/d	10,94,110	By Finished Goods Control A/c	45,900
	25,96,110		25,96,110

Working:

Factory Overhead Control A/c			
	(Rs.)		
To General Ledger Adjustment A/c	1,36,350	By Work-in-progress A/c	1,36,350
	1,36,350		1,36,350

Answer 3:

(a) (i) Statement showing the Operating Cost per Passenger-km.

	Yearly (Rs.)	Monthly (Rs.)	
(A) Standing Charges:			
Insurance Charge Rs.. 20,00,000 × 3%	60,000	5,000	{1/2 M}
Road Tax	36,000	3,000	{1/2 M}
Depreciation (20,00,000/5)	4,00,000	33,333.33	{1/2 M}
Total	4,96,000	41,333.33	{1/2 M}
(B) Maintenance Charges:			
Annual Repairs	50,000	4,166.67	{1/2 M}
Office and administration overheads	18,000	1,500	{1/2 M}
Total	68,000	5,666.67	{1/2 M}
(C) Running Cost/Charges:			
Driver's Salary	2,40,000	20,000	{1/2 M}
Conductor's Salary	1,80,000	15,000	{1/2 M}
Diesel & Oil $\left(60,000 \times \frac{1,500}{100}\right)$	9,00,000	75,000	{1/2 M}
Total	13,20,000	1,10,000	{1/2 M}
Total (A+B+C) Cost before commission and profit	18,84,000	1,57,000	{1/2 M}
Commission (28,98,461 × 10%) (working note 2)	2,89,846	24,153.83	{1/2 M}
Profit (28,98,461 × 25%) (working note 2)	7,24,615	60,384.58	{1/2 M}
Takings (working note 1)	28,98,461	2,41,538.41	{1/2 M}

(ii) Fare per Passenger-k.m. = $\frac{\text{Total Collection/ Takings}}{\text{Total Passenger km (Working note 3)}}$

= $\frac{28,98,461}{24,00,000} = \text{Rs. } 1.2077$ } {1/2 M}

OR

Fare per Passenger-k.m. (monthly) = $\frac{2,41,538.41}{2,00,000} = \text{Rs. } 1.2077$ } {1/2 M}

Working note:

1. Cost before commission (10%) and profit (25%) is 18,84,000 which is 65% of total takings. So total takings is $(18,84,000 \div 65) \times 100 = \text{Rs. } 28,98,461$ } {1/2 M}
2. Commission is 10% of Rs. 28,98,461 = Rs. 2,89,846 and Profit is 25% of Rs. 28,98,461 = Rs. 7,24,615 } {1/2 M}
3. Total Km is $(4 \text{ Round Trips} \times \text{Days in a month} \times \text{Month}) = (4 \times 2 \times 25 \times 25 \times 12) = 60,000 \text{ km}$ Passenger km is $60,000 \text{ km} \times 40 \text{ passenger} = 24,00,000$ } {1/2 M}

Answer:

(b) (i) Preparation of Production Budget (in Units)

	January	February	March	April	May
Sales	5,000	6,000	7,000	7,500	8,000

Add: Closing stock (25% of next month's sales)	1,500	1,750	1,875	2,000	{1/2 M}
Less: Opening Stock	(1200)	(1500)	(1750)	(1875)	{1/2 M}
Production of electronic Gadgets	5,300	6,250	7,125	7,625	{1/2 M}

(ii) Preparation of Purchase budget

	January	February	March	April	
Consumption/production of Batteries (@ 2 per Gadget)	10,600	12,500	14,250	15,250	{1/2 M}
Add: Closing Stock (30% of next month's production)	3750	4275	4575		{1/2 M}
Less: Opening Stock	3,250	3,750	4275		{1/2 M}
Purchase of Batteries	11,100	13,025	14,550		{1/2 M}

Statement Showing Profit

	Jan.	Feb.	March	Total	
Sales (A)	5,000	6,000	7,000	18,000	{1 M}
Selling Price per unit*	Rs. 2,000	Rs. 2,000	Rs. 2,000	Rs. 2,000	{1 M}
Less: Discount @15% of selling price	300	300	300	300	{1 M}
Less: Standard cost of Manufacturing per gadget Cost	1500	1500	1500	1500	{1 M}
Profit (B) (selling Price- discount- cost)	200	200	200	200	{1 M}
Total Profit (A × B)	Rs. 10,00,000	Rs. 12,00,000	Rs. 14,00,000	Rs. 36,00,000	{1 M}

Answer 4:

(a) (1) Overheads distribution Sheet

Item	Basis	Total Amount (Rs.)	Production Departments		Service Departments		
			A (Rs.)	B (Rs.)	X (Rs.)	Y (Rs.)	
Variable overheads (Rs. 12.60 lakhs - Rs. 4.20 lakhs)	Horse Power hours used	8,40,000	2,40,000	3,00,000	1,80,000	1,20,000	{1 M}
Fixed Overheads	Horse power for Capacity production	4,20,000	1,20,000	1,50,000	90,000	60,000	{1 M}
Total Overheads		12,60,000	3,60,000	4,50,000	2,70,000	1,80,000	{1 M}
Service dept X allocated to A, B & Y	As per the ratio given 6:4:2	(2,70,000)	1,35,000	90,000		45,000	{1 M}
Service dept Y allocated to A & B	As per the ratio of 4:1	(1,80,000+45,000 = 2,25,000)	1,80,000	45,000			{1 M}
Total Overheads of Production departments			6,75,000	5,85,000			{2 M}

(2) Calculation of Factory overhead per labour hour

Item	Production Departments		
	A (Rs.)	B (Rs.)	
Total overheads	6,75,000	5,85,000	{1 M}
Direct labour hours	67,500	48,750	{1 M}
Factory overheads per hour	10	12	{1 M}

Answer:
(b)

Process- P Account

Particulars	Kg.	Amount (Rs.)	Particulars	Kg.	Amount (Rs.)
To Input	10,000	{1/2 M}{ 50,000	By Normal wastage (1,000 kg. × Rs. 1)	1,000	1,000}{1/2 M}
To Direct Material	---	{1/2 M}{ 38,000	By Process- Q (9,000 kg. × Rs. 15.50)	9,000	1,39,500}{1/2 M}
To Direct Labour	---	{1/2 M}{ 30,000			
To Production OH (Rs. 90,000 × 3/12)	---	{1/2 M}{ 22,500			
	10,000	1,40,500		10,000	1,40,500

$$\text{Cost per unit} = \frac{\text{Rs.1,40,500} - \text{Rs.1,000}}{10,000\text{kg.} - 1,000\text{kg.}} = \text{Rs.15.50}$$

Process- Q Account

Particulars	Kg.	Amount (Rs.)	Particulars	Kg.	Amount (Rs.)
To Process-P A/c	9,000	{1/2 M}{ 1,39,500	By Normal wastage (900 kg. × Rs. 1)	900	900}{1/2 M}
To Direct Material	---	{1/2 M}{ 42,500	By Process- Q (8,200 kg. × Rs. 31)	8,200	2,54,200}{1/2 M}
To Direct Labour	---	{1/2 M}{ 40,000			
To Production OH (Rs. 90,000 × 4/12)	---	{1/2 M}{ 30,000			
To Abnormal Gain (100 kg. × Rs. 31)	100	{1/2 M}{ 3,100			
	9,100	2,55,100		9,100	2,55,100

$$\text{Cost per unit} = \frac{\text{Rs.2,52,000} - \text{Rs.900}}{9,000\text{kg.} - 900\text{kg.}} = \text{Rs.31}$$

Process- R Account

Particulars	Kg.	Amount (Rs.)	Particulars	Kg.	Amount (Rs.)
To Process-Q A/c	8,200	{1/2 M}{ 2,54,200	By Normal wastage (820 kg. × Re.1)	820	820}{1/2 M}
To Direct Material	---	{1/2 M}{ 42,880	By Abnormal loss (80 kg. × Rs. 52)	80	4,160}{1/2 M}
To Direct Labour	---	{1/2 M}{ 50,000	By Finished Goods (7,300 kg. × Rs.52)	7,300	3,79,600}{1/2 M}
To Production OH (Rs. 90,000 × 5/12)	---	{1/2 M}{ 37,500			
	8,200	3,84,580		8,200	3,84,580

$$\text{Cost per unit} = \frac{\text{Rs.3,84,580} - \text{Rs.820}}{8,200\text{kg.} - 820\text{kg.}} = \text{Rs.52}$$

Calculation of Selling price per unit of end product:

Cost per unit	Rs. 52.00
Add: Profit 25% on selling price i.e. 1/3 rd of cost	Rs. 17.33
Selling price per unit	<u>Rs. 69.33</u>

Answer 5:

(a) Number of Patient Days = (200x50) + (105x30) + (60x20)
 =14,350 patient days + 250 = 14,600 }{1/2 M}

Statement Showing Profit

Elements of Cost and Revenue	Total (Rs.)	
A. Revenue (14,600 x Rs. 2,500)	3,65,00,000	}{1/2 M}
B. <u>Variable Costs</u>		
Food and Laundry Service	39,53,000	}{1/2 M}
Medicines to Patients	22,75,000	}{1/2 M}
Doctor's Payment	66,00,000	}{1/2 M}
Hire Charges of Bed (250 x Rs. 950)	2,37,500	}{1/2 M}
Total Variable Cost	1,30,65,500	}{1/2 M}
C. <u>Fixed Costs</u>		
Building Rent	27,00,000	}{1/2 M}
Manager's Salary (Rs. 50,000 x 3 x 12)	18,00,000	}{1/2 M}
Nurse's Salary (Rs. 18,000 x 12 x 24)	51,84,000	}{1/2 M}
Ward boy's Salary (Rs. 9,000 x 12 x 24)	25,92,000	}{1/2 M}
Administrative Overheads	28,00,000	}{1/2 M}
Depreciation on Equipment's	12,75,000	}{1/2 M}
	1,63,51,000	}{1/2 M}
D. Total Cost (B+C)	2,94,16,500	}{1/2 M}
E. Profit (A-D)	70,83,500	}{1/2 M}

Profit per patient day = Rs. 70,83,500/14,600 = Rs. 485.17 }{1/2 M}

(i) Contribution (per patient day) = (Rs. 3,65,00,000 – Rs. 1,30,65,500)/ 14,600 }{1/2 M}
 = Rs. 1,605.10

BEP = 1,63,51,000/1,605.10 = 10,186.90 or say 10,187 patient days }{1/2 M}

Notes:

- Higher Charges for extra beds are a semi variable cost; still, for the sake of convenience it has been considered a variable cost.
- Assumed, the hospital hired 250 beds at a charge of Rs. 950 per bed to accommodate the flow of patients. However, this never exceeded the 10 beds above the normal capacity of 50 beds on any day. }{1/2 M}
- The fees were paid based on the number of patients attended to and the time spent by them, which on an average worked out to Rs. 5,50,000 p.m.

Answer:

(b) Cost sheet for the year ended 31st March, 2019.

Units produced - 14,000 units

Units sold - 14,153 units

Particulars	Amount (Rs.)	
Raw materials purchased	42,25,000	}{1/2 M}
Add: Freight Inward	1,00,000	}{1/2 M}
Add: Opening value of raw materials	2,28,000	}{1/2 M}
Less: Closing value of raw materials	(3,05,000)	}{1/2 M}
	42,48,000	}{1/2 M}
Less: Sale of scrap of material	(8,000)	}{1/2 M}
Materials consumed	42,40,000	}{1/2 M}
Direct Wages (12,56,000 + 1,50,000)	14,06,000	}{1/2 M}
Prime Cost	56,46,000	}{1/2 M}
Factory overheads (20% of Prime Cost)	11,29,200	}{1/2 M}
Add: Opening value of W-I-P	1,92,500	}{1/2 M}
Less: Closing value of W-I-P	(1,40,700)	}{1/2 M}

Factory Cost	68,27,000	{1/2 M}
Add: Administrative overheads	1,73,000	{1/2 M}
Cost of Production	70,00,000	{1/2 M}
Add: Value of opening finished stock	6,08,500	{1/2 M}
Less: Value of closing finished stock	(5,32,000)	{1/2 M}
[Rs. 500(70,00,000/14,000) × 1,064] (1,217+ 14,000 – 14,153 = 1,064 units)		
Cost of Goods Sold	70,76,500	
Distribution expenses (Rs.16 × 14,153 units)	2,26,448	
Cost of Sales	73,02,948	{1/2 M}
Profit (Balancing figure)	14,43,606	{1/2 M}
Sales (Rs. 618 × 14,153 units)	87,46,554	{1/2 M}

Answer 6:

- (a) There are four types of responsibility centres:
- (i) Cost Centres: The responsibility centre which is held accountable for incurrance of costs which are under its control. The performance of this responsibility centre is measured against pre-determined standards or budgets. The cost centres are of two types:
 - (a) Standard Cost Centre and
 - (b) Discretionary Cost Centre
 - (ii) Revenue Centres: The responsibility centres which are accountable for generation of revenue for the entity. Sales Department for example, is the responsible for achievement of sales target and revenue generation. Though, revenue centres does not have control on the all expenditures it incurs but some time expenditures related with selling activities like commission to sales person etc. are incurred by revenue centres. {5 M}
 - (iii) Profit Centres: These are the responsibility centres which have both responsibility of generation of revenue and incurrance of expenditures. Since, managers of profit centres are accountable for both costs as well as revenue, profitability is the basis for measurement of performance of these responsibility centres. Examples of profit centres are decentralised branches of an organisation.
 - (iv) Investment Centres: These are the responsibility centres which are not only responsible for profitability but also has the authority to make capital investment decisions. The performance of these responsibility centres is measured based on Return on Investment (ROI) besides profit.

Answer:

- (b) Obsolescence: Obsolescence is defined as "the loss in the intrinsic value of an asset due to its supersession".
- Materials may become obsolete under any of the following circumstances:
- (i) where it is a spare part, or a component of a machinery used in manufacture and that machinery becomes obsolete;
 - (ii) where it is used in the manufacture of a product which has become obsolete;
 - (iii) where the material itself is replaced by another material due to either improved quality or fall in price. {5 M}
- Treatment: In all three cases, the value of the obsolete material held in stock is a total loss and immediate steps should be taken to dispose it off at the best available price. The loss arising out of obsolete materials on abnormal loss does not form part of the cost of manufacture.

Answer:

(c)

Overhead Cost	Bases of Apportionment
(i) Air- conditioning	Floor area, or volume of department
(ii) Time keeping	Number of workers
(iii) Depreciation of plant and machinery	Capital values
(iv) Power/steam consumption	Technical estimates
(v) Electric power (machine operation)	Horse power of machines, or Number of machine hour, or value of machines or units consumed.
	Kilo-watt hours.

{5 M}

Answer:

(d) Treatment of by-product cost in Cost Accounting:

By-product cost can be dealt in cost accounting in the following ways:

(a) When they are of small total value: When the by-products are of small total value, the amount realised from their sale may be dealt in any one the following two ways:

1. The sales value of the by-products may be credited to the Costing Profit and Loss Account and no credit be given in the Cost Accounts. The credit to the Costing Profit and Loss Account here is treated either as miscellaneous income or as additional sales revenue.
2. The sale proceeds of the by-product may be treated as deductions from the total costs. The sale proceeds in fact should be deducted either from the production cost or from the cost of sales.

(b) When the by-products are of considerable total value: Where by-products are of considerable total value, they may be regarded as joint products rather than as by- products. To determine exact cost of by-products the costs incurred upto the point of separation, should be apportioned over by-products and joint products by using a logical basis.

(c) Where they require further processing: In this case, the net realisable value of the by-product at the split-off point may be arrived at by subtracting the further processing cost from the realisable value of by-products.

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Answer:

(e) Activity Based Budgeting (ABB)

- Activity based budgeting analyse the resource input or cost for each activity.
- It provides a framework for estimating the amount of resources required in accordance with the budgeted level of activity.
- Actual results can be compared with budgeted results to highlight both in financial and non-financial terms those activities with major discrepancies from budget for potential reduction in supply of resources.
- It is a planning and control system which seeks to support the objectives of continuous improvement.
- It means planning and controlling the expected activities of the organization to derive a cost-effective budget that meet forecast workload and agreed strategic goals.
- ABB is the reversing of the ABC process to produce financial plans and budgets.

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