

COST AND MANAGEMENT ACCOUNTING

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Case Scenario based Multiple Choice Questions (MCQs) for 30 Marks.
3. Part II comprises questions which require descriptive type answers for 70 Marks.

PART I – Case Scenario based MCQs
Part I is Compulsory.

TOTAL MARKS: 30 MARKS

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given, All questions are compulsory.

Q. 1 to Q. 5:
Case Scenario

1. Ans. a
2. Ans. c
3. Ans. b
4. Ans. b
5. Ans. c

MCQ [5 MCQ of 2 Marks Each : Total 10 Marks]

Q. 6 to Q. 10:
Case Scenario

6. Ans. c
7. Ans. a
8. Ans. b
9. Ans. d
10. Ans. c

MCQ [5 MCQ of 2 Marks Each : Total 10 Marks]

11. Ans. d
12. Ans. c
13. Ans. c
14. Ans. a
15. Ans. b

MCQ [5 MCQ of 2 Marks Each : Total 10 Marks]

PART – II - DESCRIPTIVE QUESTIONS

QUESTIONS NO. 1 IS COMPULSORY

ATTEMPT ANY FOUR QUESTIONS THE REMAINING FIVE QUESTIONS

TOTAL MARKS: 70 MARKS

Answer 1:

(a) Calculation of relative costs of three proposals and their ranking

	I- Use of company's car	II- Use of own car	III- Use of hired car
	per km. (Rs.)	per km. (Rs.)	per km. (Rs.)
Reimbursement	--	12.00	--
Hire Charges	--	--	10.80*
Fixed cost:			
Insurance	0.072	0.072	--

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Taxes	0.048	--	0.048
Depreciation	6.24#	--	--
Running and Maintenance Cost:			
Petrol	7.20	--	7.20
Repairs and Maintenance	0.24	--	--
Tyre	0.144	--	0.144
Total cost per km.	{1/2 M} 13.944	{1/2 M} 12.072	{1/2 M} 18.192
Cost for 20,000 km.	2,78,880	2,41,440	3,63,840
Ranking of proposals	{1/2 M} II	{1/2 M} I	{1/2 M} III

*(Rs. 2,16,000 ÷ 20,000 km.) = Rs. 10.80 {1/2 M}

#[(Rs. 7,20,000 - Rs. 96,000) ÷ 5 years] ÷ 20,000 km. = Rs. 6.24 {1/2 M}

The Second alternative i.e., use of own car by the executive and reimbursement of expenses by the company is the best alternative from company's point of view. } {1 M}

Answer:

(b)

Statement of Distribution of Costs

Cost Elements	Basis	Total Cost	Main Product X (600 Units)		By-Product Y (150 Units)		By-Product Z (200 Units)	
			Total	Per Unit	Total	Per Unit	Total	Per Unit
Raw Materials	18:3:2	9,200	7,200	12	1,200	8	800	4
Labour	36:3:2	8,200	7,200	12	600	4	400	2
Overheads	6:1:1	12,000	9,000	15	1,500	10	1,500	7.50
Total		29,400	23,400	39	3,300	22	2,700	13.50

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

Working Notes:

1. Calculation of Units produced:

Main Product X	60% of Raw Materials	600 Units	{1/8 M}
By-Product Y	15% of Raw Materials	150 Units	{1/8 M}
By Product Z	20% of Raw Materials	200 Units	{1/8 M}
Wastage 5% of Raw Materials		50 Units	{1/8 M}
		<u>1000 Units</u>	

2. Cost Allocation Raw Materials

Let Product Z requires 1 unit of raw materials then, Product Y will require 2 units of raw materials and Product X will require 3 units of raw materials.

Product	X	Y	Z
Individual Unit ratio (a)	3 {1/4 M}	2 {1/4 M}	1 {1/4 M}
Units (b)	600	150	200
Ratio for Cost Allocation (a*b)	1800	300	200
Ratio	18 {1/4 M}	3 {1/4 M}	2 {1/4 M}

Labour:

Let Product Z requires 1 hour of Labour then, Product Y will require 2 hours of Labour and Product X will require 6 hours of Labour.

Product	X	Y	Z
Individual hour ratio (a)	6 {1/4 M}	2 {1/4 M}	1 {1/4 M}
Units (b)	600	150	200
Ratio for Cost Allocation (a*b)	3600	300	200
Ratio	36 {1/4 M}	3 {1/4 M}	2 {1/4 M}

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Answer:

- (c) (i) Monthly production of AB = 50,000 kgs
 Raw material required = 50,000/5 x 8 = 80,000 kgs
 Material Ae and Material Be ratio = 5:3
 Therefore, material Ae = 80,000/8 x 5 = 50,000 kgs
- Calculation of EOQ = $\sqrt{\frac{2 \times (\text{Annual demand} \times \text{cost per order})}{\text{Annual holding cost per unit}}}$ {1/2 M}
- EOQ = $\sqrt{\frac{2 \times 50,000 \text{ kgs} \times 12 \times 375}{12\% \text{ of } ₹ 150}}$ = 5,000 kgs {1 M}
- (ii) **Calculation of maximum stock level of Material Ae which is perishable in nature and is required to be used within 3.5 days.**
- (a) Stock equals to 3.5 days consumption = 50,000 kgs/ 25 days x 3.5 days = **7,000 kgs**
- (b) Maximum stock level for Material Ae
 Maximum stock = Reorder quantity + reorder level - (minimum consumption x minimum lead time) {1/2 M}
- Where, reorder quantity = 7,500 kgs
 Reorder level = maximum consumption* x maximum lead time
 = 50,000/ 25 x 3 days = 6,000 kgs
- Now, Maximum stock level = 7,500 kgs + 6,000 kgs - (50,000 /25 days x 2 days) = **9,500 kgs** {1 M}
- Stock required for 3.5 days consumption is lower than the maximum stock level calculated above. Therefore, **maximum stock level will be 7,000 kgs.** {1 M}
- (*since production is processed evenly throughout the month hence material consumption will also be even.)

Answer 2:

(a) Memorandum Reconciliation Accounts

Dr.				Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)	
To Net Loss as per Cost Accounts	48,700 {1/2 M}	By Administration overheads over recovered in Cost Accounts	65,000	{1/2 M}
To Factory overheads under absorbed in Cost Accounts	30,500 {1/2 M}	By Depreciation overcharged in Cost Accounts (₹ 2,70,000 - ₹ 2,25,000)	45,000	{1/2 M}
To Provision for Incometax	52,400 {1/2 M}	By Transfer fees in Financial Accounts	10,200	{1/2 M}
To Obsolescence loss	20,700 {1/2 M}	By Notional Rent of own premises	49,000	{1/2 M}
To Overvaluation of closing stock in Cost Accounts**	9,500 {1/2 M}	By Overvaluation of Opening stock in Cost Accounts*	23,000	{1/2 M}
To Net Profit (as per Financial Accounts)	30,400 {1/2 M}			
	1,92,200		1,92,200	

* Overvaluation of Opening Stock as per Cost Accounts
 = Value in Cost Accounts - Value in Financial Accounts
 = ₹ 1,38,000 - ₹ 1,15,000 = ₹ 23,000. {1/2 M}

** Overvaluation of Closing Stock as per Cost Accounts
 = Value in Cost Accounts - Value in Financial Accounts
 = ₹ 1,22,000 - ₹ 1,12,500 = ₹ 9,500. {1/2 M}

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Answer:

(b) (i) Statement showing allocation of Joint Cost

Particulars	AB	PQ
No. of units Produced	1,800	3,000
Selling Price Per unit (₹)	40	30
Sales Value (₹) {1/4 M}	72,000	90,000
Less: Estimated Profit (AB -20% & PQ -30%)	(14,400)	(27,000)
Cost of Sales {1/4 M}	57,600	63,000
Less: Estimated Selling Expenses (AB -15% & PQ -15%)	(10,800)	(13,500)
Cost of Production	46,800	49,500
Less: Cost after separation	(35,000)	(24,000)
Joint Cost allocated {1/4 M}	11,800	25,500

(ii) Statement of Profitability

Particulars	MA (₹)	AB (₹)	PQ (₹)
Sales Value (A) {1/4 M}	4,00,000	72,000	90,000
	(4,000x ₹ 100)	{1/4 M}	
Less:- Joint Cost {1/4 M}	1,75,100	11,800	25,500
	(2,12,400- 11,800 -25,500)	{1/4 M}	
Cost after separation {1/4 M}	-	35,000	24,000
Selling Expenses (MA- 30%, AB-15% &PQ-15%) {1/4 M}	1,20,000	10,800	13,500
(B) {1/4 M}	2,95,100	57,600	63,000
		{1/4 M}	
Profit (A -B) {1/4 M}	1,04,900	14,400	27,000
		{1/4 M}	
Overall Profit = 1,04,900 + 14,400 + 27,000 = ₹ 1,46,300 {1/4 M}			

Answer 3:

(a) (i) Process I Statement of Equivalent Production (Under Weighted Average Method)

Particulars	Input units (in Liter)	Particulars	Output units (in Liter)	Equivalent Production			
				Material		Conversion	
				(%)	Equivalent units (in Liter)	(%)	Equivalent units (in Liter)
Opening WIP	12,000	Units introduced and completed	40,000	100	40,000	100	40,000
New Material Introduced	60,000	Normal Loss (15% of 60,000 liters)	9,000	-	-	-	-
		Closing WIP	15,000	100	15,000	80	12,000
		Abnormal Loss (Bal. fig.)	8,000	100	8,000	100	8,000
	72,000		72,000		63,000	{1M}	60,000

Statement of Cost for Each Element

Elements of Costs	Material (Rs.)	Conversion Cost (Rs.)
Costs of Opening WIP	1,75,000	1,40,000
Cost of the Process (for the period)	7,70,000	8,35,000
Total Cost	9,45,000	9,75,000
Equivalent Units (in liter)	63,000	60,000
Cost Per equivalent Units (in liter)	Rs. 15	Rs. 16.25

Therefore, Cost of Medicine 'X' is Rs. **31.25** per liter (Rs. 15 + Rs. 16.25)
{1/2 M}

(ii) **Statement showing comparative data to decide whether 30,000 Liters of Medicine 'X' should be further processed into 'XYZ'**

	Alternative 1 Sell medicine 'X' after Process I (Rs.)	Alternative 2 Process further into 'XYZ' (Rs.)
Sales	12,75,000 (30,000 liters x Rs. 42.50)	18,75,000 (37,500 liters x Rs. 50)
Less: Costs:		
Process I - Costs (30,000 liters x Rs. 31.25)	9,37,500	9,37,500
Material in Process II	-	2,75,000
Conversion cost in Process II	-	2,50,000
Total Cost	9,37,500	14,62,500
Profit	3,37,500 }{1M}	4,12,500 }{1M}

Hence, company should process further as it will increase profit further by **Rs. 75,000** (Rs. 4,12,500 – Rs. 3,37,500).
}{1/2M}

Answer:

(b) **Cost Sheet of A Limited for the year ended 31st March 2022**

Particulars	Amount (Rs.)	Amount (Rs.)
Opening Stock of Raw materials	5,00,000	
Add: Purchases (balancing figure)	20,50,000 }{1M}	
Less: Closing stock of raw materials	6,30,000	
Direct material consumed (balancing figure)		19,20,000
Direct labour		10,50,000
Prime Cost		29,70,000 }{1/2 M}
Add: Factory Overheads (10,50,000 / 175%)		6,00,000
Add: Opening Stock of Work in Progress		6,00,000
		41,70,000
Less: Closing Stock of Work in Progress		8,00,000
Works Cost		33,70,000 }{1/2 M}
Add: Administrative Overheads (relating to production activity)		1,50,000
COST OF PRODUCTION		35,20,000 }{1M}
Add: Opening stock of finished goods		9,80,000
Cost of Goods available for sale		45,00,000
Less: Closing Stock of finished goods		10,50,000
COST OF GOODS SOLD (Working Note: (iv))		34,50,000 }{1M}
Add: Selling and Distribution Overhead		2,50,000
COST OF SALES		37,00,000 }{1M}
Add: Profit (Balancing figure) [Sales - Cost of Sales]		13,00,000
SALES		50,00,000

$$\text{Profit as a \% of sales} = \frac{13 \text{ Lakhs}}{50 \text{ Lakhs}} \times 100 = 26\% \text{ } \{1M\}$$

Working Notes:

- (i) The cost sheet is completed by Reverse Working. Purchases amount is the $\{1/4 M\}$ balancing figure.
- (ii) Direct labour = 175% of factory overhead (given). Hence, if direct labour = 10,50,000, then Factory Overhead = $10,50,000 / 175\% = \text{Rs. } 6,00,000 \{1/4 M\}$
- (iii) Selling Overhead Rs. 2,50,000 (total), selling per unit Rs. 500. $\{1/4 M\}$
Number of units sold = $\text{Rs. } 2,50,000 / \text{Rs. } 500 = 500 \text{ units}$
- (iv) Cost of goods sold = $500 \text{ units} \times \text{Rs. } 6,900 = \text{Rs. } 34,50,000. \{1/4 M\}$

Answer 4:

(a) Workings:

Particulars	Six months 6 operators (Hours)	
Normal available hours half yearly (1,248 x 6 operators)	7,488	$\{1/4 M\}$
Less: Absenteeism hours (18 x 6 operators)	(108)	$\{1/4 M\}$
Paid hours (A)	7,380	$\{1/4 M\}$
Less: Leave hours (20 x 6 operators)	(120)	$\{1/4 M\}$
Less: Normal idle time (10 x 6 operators)	(60)	$\{1/4 M\}$
Effective working hours	7,200	$\{1/4 M\}$

Computation of Comprehensive Machine Hour Rate

Particulars	Amount for six months (Rs.)	
Operators' wages (7,380/8 x 200)	1,84,500	$\{1/4 M\}$
Production bonus (10% on wages)	18,450	$\{1/4 M\}$
Power consumed	80,500	$\{1/4 M\}$
Supervision and indirect labour	33,000	$\{1/4 M\}$
Lighting and Electricity	12,000	$\{1/4 M\}$
Repair and maintenance $\{(5\% \times \text{Rs. } 64,00,000)/2\}$	1,60,000	$\{1/4 M\}$
Insurance (Rs. 7,20,000/2)	3,60,000	$\{1/4 M\}$
Depreciation $\{(\text{Rs. } 64,00,000 \times 10\%)/2\}$	3,20,000	$\{1/4 M\}$
Sundry Work expenses (Rs. 1,00,000/2)	50,000	$\{1/4 M\}$
Management expenses (Rs. 10,00,000/2)	5,00,000	$\{1/4 M\}$
Total Overheads for 6 months	17,18,450	$\{1 M\}$
Comprehensive Machine Hour Rate = Rs. 17,18,450/7,200 hours	Rs. 238.67	$\{1 M\}$

Answer:

(b) (i) Cost per unit - Conventional Costing: Absorption rate method

Particulars	A (Rs.)	B (Rs.)	C (Rs.)	D (Rs.)
Material	140	90	180	150
Labour @ Rs. 60 per labour hour	60	180	120	90
Overheads @ Rs. 280 per machine hour	840	560	1680	1120
Cost per unit (in Rs.)	1,040	830	1,980	1,360
No of units	1,500	2,500	10,000	6,000
Total cost (Rs.)	15,60,000	20,75,000	1,98,00,000	81,60,000
	$\{1/4 M\}$	$\{1/4 M\}$	$\{1/4 M\}$	$\{1/4 M\}$

(ii) Statement of apportionment of overheads:

		Amount (Rs.)			
Type of Cost	Cost Driver	A	B	C	D
Setups	No of Setups	7,48,000 (100 x 7,480)	9,35,000 (125x7,480)	44,88,000 (600 x 7,480)	29,92,000 (400 x7,480)
Machinery	Machine hours	2,52,000 (4,500 x 56)	2,80,000 (5,000 x 56)	33,60,000 (60,000 x 56)	13,44,000 (24,000 x 56)
Material Handling	No. of Movements of material	1,78,500 (15 x 11,900)	2,38,000 (20 x 11,900)	11,90,000 (100 x 11,900)	10,11,500 (85 x 11,900)
Inspection	No. of Inspections	9,16,300 (200x4,581.50)	11,45,375 (250x4,581.50)	41,23,350 (900x4,581.50)	29,77,975 (650x4,581.50)
Total		20,94,800	25,98,375	1,31,61,350	83,25,475
Output Units		1,500	2,500	10,000	6,000
Overhead/unit		1,396.53 {1/4 M}	1,039.35 {1/4 M}	1,316.14 {1/4 M}	1,387.58 {1/4 M}

Statement showing Cost per unit and Total cost using Activity Based Costing

Particulars	A (Rs.)	B (Rs.)	C (Rs.)	D (Rs.)
Material	140.00	90.00	180.00	150.00
Labour	60.00	180.00	120.00	90.00
Total	200.00	270.00	300.00	240.00
No. of units	1,500	2,500	10,000	6,000
Total cost (excluding overheads)	3,00,000	6,75,000	30,00,000	14,40,000
Add: Overheads (as calculated)	20,94,800	25,98,375	1,31,61,350	83,25,475
Total cost	23,94,800	32,73,375	1,61,61,350	97,65,475
Cost per unit	1,596.53 {1/2 M}	1,309.35 {1/2 M}	1,616.14 {1/2 M}	1,627.58 {1/2 M}

Working Notes:

1. Calculation of Total machine hours

Particulars	A	B	C	D
(a) Machine hours per unit	3	2	6	4
(b) Production(units)	1,500	2,500	10,000	6,000
(c) Total machine hours (a) x(b)	4,500 {1/4 M}	5,000 {1/4 M}	60,000 {1/4 M}	24,000 {1/4 M}

Total Machine hours = 93,500 **{1/4 M}**

Total production overheads= 93,500 x 280 = **Rs. 2,61,80,000** **{1/4 M}**

2. Calculation of cost driver rate

Cost pool	Amount of cost (Rs.)	Cost Driver (basis)	Cost Driver (units)	Cost Driver Rate (Rs.)	
Setups	91,63,000	No. of Setups	1,225	7,480 per set up	{1/2 M}
Machinery	52,36,000 {1/4 M}	Machine Hrs.	93,500	56 per machine hour	{1/2 M}
Material Handlings	26,18,000 {1/4 M}	No. of Material Movements	220	11,900 per material movement	{1/2 M}
Inspection	91,63,000	No. of Inspections	2,000	4,581.50 per inspection	{1/2 M}
	2,61,80,000				

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Answer 5:
(a)

Khushi Ltd.

Budget for 85% capacity level for the period 2021-22

Budgeted production (units)	85,000	
	Per Unit (Rs.)	Amount (Rs.)
Direct Material (note 1)	21.60	18,36,000 }{1/2 M}
Direct Labour (note 2)	10.50	8,92,500 }{1/2 M}
Variable factory overhead (note 3)	2.10	1,78,500 }{1/2 M}
Variable selling overhead (note 4)	4.32	3,67,200 }{1/2 M}
Variable cost	38.52	32,74,200 }{1 M}
Fixed factory overhead (note 3)		2,20,000 }{1/2 M}
Fixed selling overhead (note 4)		1,15,000 }{1/2 M}
Administrative overhead		1,76,000 }{1/2 M}
Fixed cost		5,11,000
Total cost		37,85,200
Add: Profit 20% on sales or 25% on total cost		9,46,300 }{1/2 M}
Sales		47,31,500 }{1/2 M}
Contribution (Sales – Variable cost)		14,57,300 }{1/2 M}

Working Notes:

1. Direct Materials:

	(Rs.)		(Rs.)
75% Capacity	15,00,000	65% Capacity	13,00,000
65% Capacity	13,00,000	55% Capacity	11,00,000
10% change in capacity	2,00,000	10% change in capacity	2,00,000

For 10% increase in capacity, i.e., for increase by 10,000 units, the total direct material cost regularly changes by Rs. 2,00,000

Direct material cost (variable) = Rs. 2,00,000 ÷ 10,000 = **Rs. 20** }{1/4 M}

After 8% increase in price, direct material cost per unit = Rs. 20 × 1.08 = Rs. 21.60

Direct material cost for 85,000 budgeted units = 85,000 × Rs. 21.60 = Rs. 18,36,000

2. Direct Labour :

	(Rs.)		(Rs.)
75% Capacity	7,50,000	65% Capacity	6,50,000
65% Capacity	6,50,000	55% Capacity	5,50,000
10% change in capacity	1,00,000	10% change in capacity	1,00,000

For 10% increase in capacity, direct labour cost regularly changes by Rs. 1,00,000.

Direct labour cost per unit = Rs. 1,00,000 ÷ 10,000 = **Rs. 10** }{1/4 M}

After 5% increase in price, direct labour cost per unit = Rs. 10 × 1.05 = Rs. 10.50

Direct labour for 85,000 units = 85,000 units × Rs. 10.50 = Rs. 8,92,500.

3. Factory overheads are semi-variable overheads:

	(Rs.)		(Rs.)
75% Capacity	3,50,000	65% Capacity	3,30,000
65% Capacity	3,30,000	55% Capacity	3,10,000
10% change in capacity	20,000	10% change in capacity	20,000

Variable factory overhead = Rs. 20,000 ÷ 10,000 = **Rs. 2** }{1/4 M}

Variable factory overhead for 75,000 units = 75,000 × Rs. 2 = Rs. 1,50,000

Fixed factory overhead = Rs. 3,50,000 – Rs. 1,50,000 = Rs. 2,00,000.

MITTAL COMMERCE CLASSES

Variable factory overhead after 5% increase = Rs. 2 × 1.05 = Rs. 2.10
 Fixed factory overhead after 10% increase = Rs. 2,00,000 × 1.10 = Rs. 2,20,000.

4. Selling overhead is semi-variable overhead :

	(Rs.)		(Rs.)
75% Capacity	4,00,000	65% Capacity	3,60,000
65% Capacity	3,60,000	55% Capacity	3,20,000
10% change in capacity	40,000	10% change in capacity	40,000

Variable selling overhead = Rs. 40,000 ÷ 10,000 units = **Rs. 4** }{1/4 M}

Variable selling overhead for 75,000 units = 75,000 × Rs. 4 = Rs. 3,00,000.

Fixed selling overhead = Rs. 4,00,000 – Rs. 3,00,000 = Rs. 1,00,000

Variable selling overhead after 8% increase = Rs. 4 × 1.08 = Rs. 4.32

Fixed selling overhead after 15% increase = Rs. 1,00,000 × 1.15
 = Rs. 1,15,000

5. Administrative overhead is fixed:

After 10% increase = Rs. 1,60,000 × 1.10 = Rs. 1,76,000

Answer:

- (b) (i) Material Usage Variance = Std. Price (Std. Quantity – Actual Quantity)
 = ₹ 45 (9,000 kgs. – 8,900 kgs.)
 = ₹ 4,500 (Favourable) }{1 M}
- (ii) Material Price Variance = Actual Quantity (Std. Price – Actual Price)
 = 8,900 kgs. (₹ 45 – ₹ 46)
 = ₹ 8,900 (Adverse) }{1 M}
- (iii) Material Cost Variance = Std. Material Cost – Actual Material Cost
 = (SQ × SP) – (AQ × AP)
 = (9,000 kgs. × ₹ 45) – (8,900 kgs. × ₹ 46)
 = ₹ 4,05,000 – ₹ 4,09,400
 = ₹ 4,400 (Adverse) }{1 M}
- (iv) Labour Efficiency Variance = Std. Rate (Std. Hours – Actual Hours)
 = ₹ 50 ($\frac{9,000}{10} \times 8 \text{ hours} - 7,000 \text{ hrs.}$)
 = ₹ 50 (7,200 hrs. – 7,000 hrs.)
 = ₹ 10,000 (Favourable) }{1 M}
- (v) Labour Rate Variance = Actual Hours (Std. Rate – Actual Rate)
 = 7,000 hrs. (₹ 50 – ₹ 52)
 = ₹ 14,000 (Adverse) }{1 M}
- (vi) Labour Cost Variance = Std. Labour Cost – Actual Labour Cost
 = (SH × SR) – (AH × AR)
 = (7,200 hrs. × ₹ 50) – (7,000 hrs. × ₹ 52)
 = ₹ 3,60,000 – ₹ 3,64,000
 = ₹ 4,000 (Adverse) }{1 M}
- (vii) Variable Overhead Cost Variance = Std. Overhead for Actual Production – Actual Variable Overhead Cost
 = (7,200 hrs. × ₹ 10) – ₹ 72,500
 = ₹ 500 (Adverse) }{1/2 M}
- (viii) Fixed Overhead Cost Variance = Absorbed Fixed Overhead – Actual Fixed Overhead
 = $\frac{₹ 200}{10 \text{ kgs}} \times 9,000 \text{ kgs.} - ₹ 1,92,000$
 = ₹ 1,80,000 – ₹ 1,92,000
 = ₹ 12,000 (Adverse) }{1/2 M}

MITTAL COMMERCE CLASSES

Answer 6:

- (a) Purely Financial Expenses included in Financial Accounts only:
- Interest on loans or bank mortgages. }{1 M}
 - Expenses and discounts on issue of shares, debentures etc. }{1 M}
 - Other capital losses i.e., loss by fire not covered by insurance etc. }{1 M}
 - Losses on the sales of fixed assets and investments. }{1 M}
 - Income tax, donations, subscriptions. }{1 M}
 - Expenses of the company's share transfer office, if any.

Answer:

(b)

Trade Discount	Trade discount is deducted from the purchase price if it is not shown as deduction in the invoice.	}{1 M}
Cash Discount	Cash discount is not deducted from the purchase price. It is treated as interest and finance charges. It is ignored.	}{1 M}
Penalty	Penalty of any type is not included with the cost of purchase	}{1 M}
Insurance charges	Insurance charges are paid for protecting goods during transit. It is added with the cost of purchase.	}{1 M}
Commission paid	Commission or brokerage paid is added with the cost of purchase.	}{1 M}

Answer:

(c)

Service industry	Unit of cost (examples)	}{1/2 M}
Hospital	Patient per day, room per day or per bed, per operation etc.	}{1/2 M}
Electricity Supply service	Kilowatt- hour (kWh)	}{1/2 M}
Cinema	Per ticket, per seat - per show	}{1/2 M}
Canteen	Per item, per meal etc., per diet	}{1 M}
Hotels	Guest Days or Room Days, per room- per day	}{1 M}

OR

Answer:

- (c) Treatment is as follows:
- Credit for Recoveries:** The realised or realisable value of scrap or waste is deducted as it reduces the cost of production.
 - Packing Cost (primary):** Packing material which is essential to hold and preserve the product for its use by the customer is added in the factory cost.
 - Joint Products and By-Products:** Joint costs are allocated between/among the products on a rational and consistent basis. In case of by-products, the net realisable value of by-products is deducted from the cost of production.
 - Quality Control Cost:** It is added in the factory cost as this is the cost of resources consumed towards quality control procedures.
- }{1 M Each}

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