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**S.K.S.S ARTS COLLEGE, THIRUPPANANDAL - 612504**



## QUESTION BANK

*Title of the Paper*

# ADVANCED COST & MANAGEMENT ACCOUNTING

Course: II M.Com.,

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*Prepared by*



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**CORE COURSE – XIV (CC)**  
**ADVANCED COST & MANAGEMENT ACCOUNTING**

**UNIT – I**

Cost Accounting – meaning – objectives – Nature and Scope – methods of costing – techniques of costing – classification and coding of costs – inventory control – stock levels – inventory systems – methods of pricing material issues.

**UNIT – II**

Labour costs – Direct and indirect – importance – Remuneration method – labour performance reports – labour turnover and stability – Overheads – Importance – allocation and apportionment of overheads – overhead cost control.

**UNIT – III**

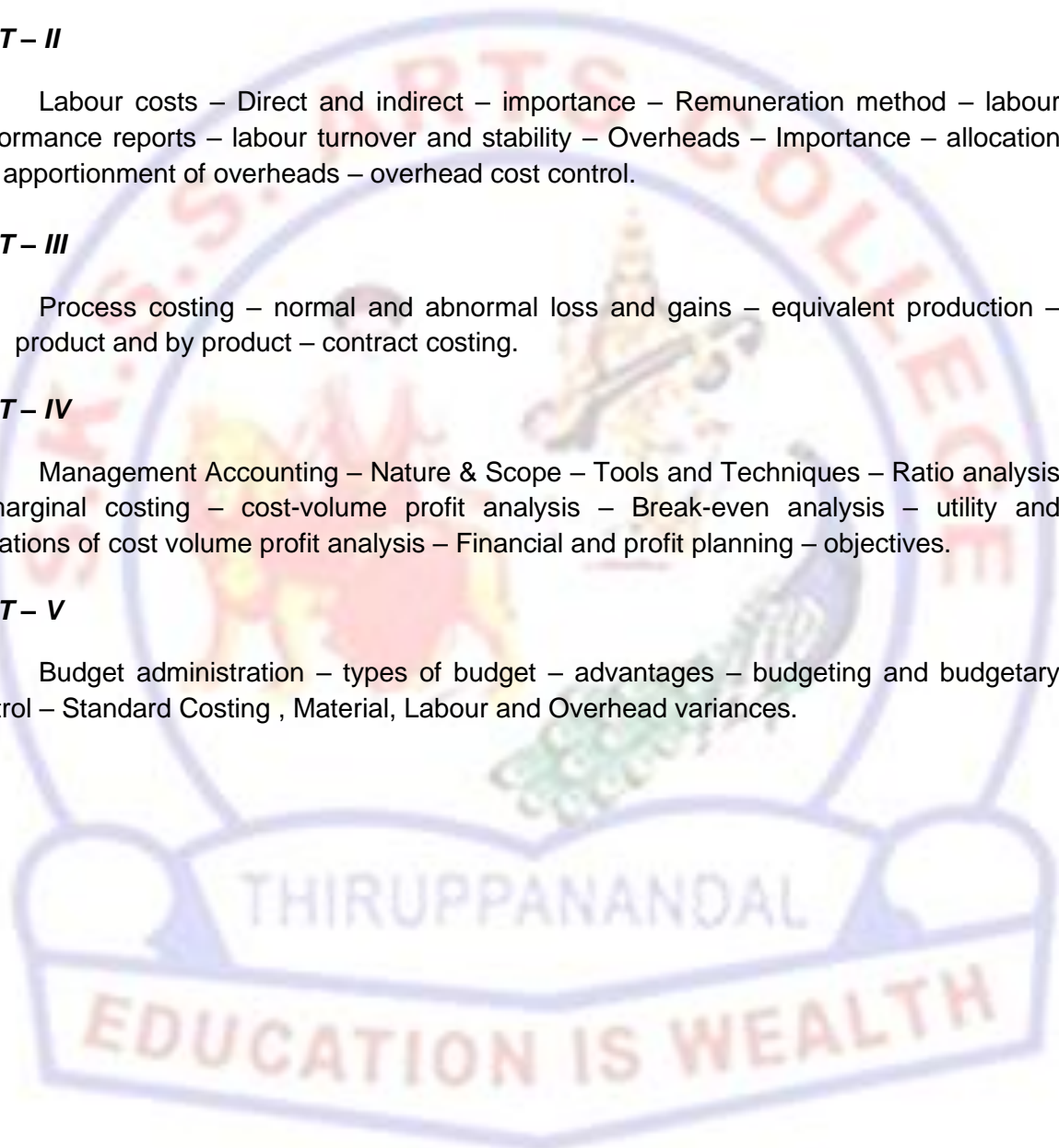
Process costing – normal and abnormal loss and gains – equivalent production – joint product and by product – contract costing.

**UNIT – IV**

Management Accounting – Nature & Scope – Tools and Techniques – Ratio analysis – marginal costing – cost-volume profit analysis – Break-even analysis – utility and limitations of cost volume profit analysis – Financial and profit planning – objectives.

**UNIT – V**

Budget administration – types of budget – advantages – budgeting and budgetary control – Standard Costing , Material, Labour and Overhead variances.



## UNIT – I

### CHOOSE THE CORRECT ANSWER

1. Basic objective of cost accounting is
  - (a) Tax compliance
  - (b) Financial Audit
  - (c) Cost Ascertainment
  - (d) None of the above
2. Cost incurred is identified with
  - (a) Each Executive
  - (b) Each unit of output
  - (c) Each month
  - (d) None of the above
3. Stock control through stock levels and EOQ is called
  - (a) Demand and Supply method
  - (b) Perpetual inventory system
  - (c) Control by importance and exception
  - (d) None of these
4. Average price methods are more suitable when
  - (a) Material prices are rising
  - (b) Material prices are falling
  - (c) Material prices are fluctuating
  - (d) Material prices are constant
5. Imputed cost is a
  - (a) Notional cost
  - (b) Real cost
  - (c) Abnormal cost
  - (d) Variable cost
6. Scrap is
  - (a) Residue of Raw material
  - (b) Wastage of material
  - (c) Surplus material
  - (d) Abnormal loss of material
7. Material requisition is meant for
  - (a) Purchase of material
  - (b) Supply of material from stores
  - (c) Sale of material
  - (d) None of the above
8. Multiple costing is, using in the same firm
  - (a) A single costing method
  - (b) Several methods of costing
  - (c) Tax saving measures
  - (d) None of the above

9. Stores ledger is maintained in the  
(a) Cost accounting department  
(b) HR department  
(c) Marketing department  
(d) None of the above

10. Cost classification can be done in  
(a) Two ways  
(b) Three ways  
(c) Four ways  
(d) Several ways

**Answers :** 1. (c) 2. (b) 3. (a) 4. (c) 5. (a) 6. (a) 7. (b) 8. (b) 9. (a) 10. (d)

### SHORT QUESTIONS (2 MARKS)

11. Define Cost Accounting.  
12. List out the functions of Cost Accounting.  
13. What is realisable value?  
14. State any two objectives of Cost Accounting.  
15. What do you mean by EOQ?  
16. What is direct material?  
17. What is minimum stock level?  
18. What is FIFO?  
19. What is historical cost?.  
20. Define Inventory control.

### PARAGRAPH QUESTIONS (5 MARKS)

21. What are the characteristics of Cost Accounting?  
22. The following particulars were collected from a manufacturing unit for the year 2018 :

Monthly demand	1,000 units
Cost of pricing an order	Rs. 100
Annual carrying cost per unit	Rs. 10
Normal usage	50 units per week
Minimum usage	25 units per week
Maximum usage	75 units per week
Re-order period	4 to 6 weeks

Calculate from the above particulars :

- (a) Re-order quantity      (b) Re-order level and      (c) Minimum level

23. From the following details, ascertain the effective cost of Material per Kg.

Material purchased as per invoice :	Rs.
Chemical 'R' - 400 units at Rs. 10 each	4,000
Chemical 'S' - 400 units at Rs. 50 each	20,000
Freight at Rs. 2 per unit	1,600
Sales Tax at 10%	2,400

Handling charges of Rs. 50 and Rs. 300 respectively are to be included for chemicals 'R' and 'S' Shortages of 5%, considered as Normal, are excepted in transport and a further loss of 30 units each may be conducted before the materials can be completely used.

24. The Godavari Pump Company uses about 75,000 valves per year and the usage is fairly constant at 6,250 valves per month. The valve's cost is Rs. 1.50 per unit when bought in quantities and the carrying cost is estimated to be 20% of average inventory investment on the annual basis. The cost to place an order and to process the delivery is Rs.18. It takes 45 days to receive delivery from the date of an order and the safety stock of 3,250 valves is desired. You are required to determine : (a) The most EOQ (b) The order point.

25. Calculate the minimum stock level, maximum stock level and re-ordering level from the following information :

- (i) Minimum consumption = 100 units per day
- (ii) Maximum consumption = 150 units per day
- (iii) Normal consumption = 120 units per day
- (iv) Re-order period = 10-15 days
- (v) Re-order quantity = 1,500 units
- (vi) Normal re-order period = 12 days

26. The "Received" side of the Stores Ledger Account shows the following particulars :

Jan 1	Opening Balance	: 500 units @ Rs. 4
Jan 5	Received from vendor	: 200 units @ Rs. 4.25
Jan 12	Received from vendor	: 150 units @ Rs. 4.10
Jan 20	Received from vendor	: 300 units @ Rs. 4.50
Jan 25	Received from vendor	: 400 units @ Rs. 4

Issue of material were as follows :

Jan 4 = 200 units ;	Jan 10 = 400 units ;	Jan 15 = 100 units ;
Jan 19 = 100 units ;	Jan 26 = 200 units ;	Jan 30 = 250 units.

Issues are to be priced on the principle of LIFO. Write out the Stores Ledger Account in respect of the materials for the month of January.

27. From the following particulars, prepare stores ledger account under Simple Average Method :

Jan 5	Purchased 4,000 units at Rs. 4 per unit
Jan 20	Purchased 500 units at Rs. 5 per unit
Feb 5	Issued 2,000 units
Feb 10	Purchased 6,000 units at Rs. 6 per unit
Feb 15	Issued 4,000 units
Feb 18	Issued 1,000 units
Mar 4	Issued 2,000 units
Mar 12	Purchased 4,500 units at Rs. 5.50 per unit
Mar 24	Issued 2,000 units

28. XY Ltd., has purchased and issued the material 'M' in the following order :

2002		Unit	Unit Cost (Rs.)
1 <sup>st</sup> Dec.	Purchase	300	3
4 <sup>th</sup> Dec.	Purchase	600	4
6 <sup>th</sup> Dec.	Issue	400	
10 <sup>th</sup> Dec.	Purchase	600	4
15 <sup>th</sup> Dec.	Issue	1,000	
20 <sup>th</sup> Dec.	Purchase	400	5
23 <sup>rd</sup> Dec.	Issue	200	

Ascertain the quantity of closing stock as on 31<sup>st</sup> December issues are made under the weighted average method.

29. Write short notes on : (a) Inventory system (b) Stock Levels (c) Coding of cost

30. The standard price of a material is fixed at Rs. 12 per unit. The following purchases and issues were made during March, 2010. Prepare the Stores Ledger Account showing how the cost of materials issued and value of balance in stock will be recorded under the standard price method.

Dated	Particulars	Quantity	Rate
March 3	Received	1,800 units	12
March 8	Received	500 units	14
March 15	Issued	1,000 units	
March 21	Received	600 units	11
March 24	Issued	700 units	
March 28	Received	900 units	13
March 30	Issued	850 units	

Also ascertain the efficiency of purchasing materials.

### ESSAY TYPE QUESTIONS (10 MARKS)

31. Distinguish between Cost Accounting and Financial Accounting.

32. The accounts of Z Manufacturing Company for the year ended December, 2015 show the following :

	Rs.		Rs.
Factory Office Salaries	6,500	Travelling Expenses	2,100
General Office Salaries	12,600	Traveller's Salaries & Commission	7,700
Carriage Outward	4,300	Productive Wages	1,26,000
Carriage on Purchases	7,500	Depreciation – Plant, Machinery and Tools	6,500
Bad Debts Written off	6,500	Depreciation – Furniture	300
Repairs of plant, Machinery and Tools	4,100	Director's Fees	6,000
Rent, Rates, Taxes & Insurance		Gas and Water –	
-Factory	8,500	Factory	1,200
-Office	2,000	Office	400
Sales	4,61,100	Manager's Salary (3/4 Factory and 1/4 Office)	10,000
Stock of Materials –		General Expenses	3,400
31 <sup>st</sup> Dec, 2015	62,800	Income Tax	2,500
31 <sup>st</sup> Dec, 2016	48,000	Dividend	2,000
Materials Purchased	1,85,000		

Prepare statement giving the following information :

- |                        |                        |
|------------------------|------------------------|
| (a) Materials consumed | (b) Prime cost         |
| (c) Factory cost       | (d) Cost of Production |
| (e) Total cost         | (f) Net profit         |

33. The following extracts of costing information relates to a commodity for the year ending 31-3-2013 :

	Rs.
Purchase of Raw Materials	48,000
Direct Wages	40,000
Stock on 1-4-2012 : of Raw Materials	8,000
of Finished Goods (1,600 quintals)	6,400
Stock on 31-3-2013 : of Raw Materials	8,800
of Finished Goods (3,200 quintals)	12,800
Works on Cost	16,800
Work in Progress : 1-4-2012	1,920
31-3-2013	6,400
Office and Administrative Overheads	3,200
Sale of Finished Product	1,20,000

Advertising, discount allowed and selling cost is Rs. 0.40 per quintal. During the year 25,600 quintals of commodity were produced. From the above information prepare the cost sheet.

34. Calculate from the following :

- (a) EOQ
- (b) Maximum Level
- (c) Minimum Level
- (d) Re-ordering Level

Reorder period	- 4 to 6 weeks
Maximum consumption	- 100 units per week
Minimum consumption	- 50 units per week
Normal consumption	- 75 units per week
Annual consumption	- 36,000 units
Cost per unit	- Re. 1
Ordering cost	- Rs. 25
Inventory carrying cost is 20% of unit value.	

35. Prepare a stores ledger account from the following information adopting FIFO method of pricing of issues of materials.

2018			
March	1	Opening Balance	500 tonnes at Rs. 200
	3	Issue	70 tonnes
	4	Issue	100 tonnes
	8	Issue	80 tonnes
	13	Received from supplier	200 tonnes at Rs. 190
	14	Returned from department	'A' 15 tonnes
	16	Issue	180 tonnes
	20	Received from supplier	240 tonnes at Rs. 195
	24	Issue	300 tonnes
	25	Received from supplier	320 tonnes at Rs. 200
	26	Issue	115 tonnes
	27	Returned from department	'B' 35 tonnes
	28	Received from supplier	100 tonnes at Rs. 200

36. From the following transactions, prepare separately the stores ledger account, using the following methods : (i) LIFO (ii) FIFO

Jan	1	Opening Balance	100 units @ Rs. 5 each
	5	Received	500 units @ Rs. 6 each
	20	Issued	300 units
Feb	5	Issued	200 units
	6	Received back from work order	10 units
		Issued on 5 <sup>th</sup> February	
	7	Received	300 units
	20	Issued	180 tonnes
	25	Returned to supplier	50 units purchased on 7 <sup>th</sup> February
	26	Issued	200 units
March	10	Received	500 units at Rs.7 per unit
	15	Issued	300 units

Stock verification on 15th March revealed a shortage of 10 units.

37. The standard price of a material is fixed at Rs. 20 per unit. Show the stores ledger entries as they would appear when using the standard price method.

May 2015		Units	Rate Rs.
1	Balance in hand b/f	400	20
4	Purchased	500	21
6	Issued	600	
8	Issued	200	
10	Purchased	700	19
12	Issued	150	
14	Issued	200	
16	Issued	100	
19	Purchased	800	22
20	Issued	400	
25	Issued	300	

Calculate the Material Price Variances.

38. The following details have been obtained from the cost records of Raja Sekhar Ltd.,

	Rs.
Stock of raw materials on 1 <sup>st</sup> Dec. 2016	75,000
Stock of raw materials on 31 <sup>st</sup> Dec. 2016	91,500
Direct Wages	52,500
Indirect Wages	2,750
Sales	2,11,000
Work-in-progress 1 <sup>st</sup> Dec. 2016	28,000
Work-in-progress 31 <sup>st</sup> Dec. 2016	35,000
Purchases of raw materials	66,000
Factory rent, rates and power	15,000
Depreciation of plant and machinery	3,500
Expenses on purchases	1,500
Carriage outwards	2,500
Advertising	3,500
Office rent and taxes	2,500
Traveller's wages and communication	6,500
Stock of finished goods (1 <sup>st</sup> Dec. 2016)	54,000
Stock of finished goods (31 <sup>st</sup> Dec. 2016)	31,000

Prepare a Cost sheet giving the maximum possible break up of costs and profit.



39. A manufacturer of Surat purchased three Chemicals A,B and C from Bombay. The invoice gave the following information :

	Rs.
Chemicals A 3,000 Kg. @ Rs. 4.20 per Kg.	12,600
Chemicals B 5,000 Kg. @ Rs. 3.80 per Kg.	19,000
Chemicals C 2,000 Kg. @ Rs. 4.75 per Kg.	9,500
Sales Tax	2,055
Railway Freight	1,000
Total Cost	<u>44,155</u>

A shortage of 200 Kgs. In Chemical A of 280 Kgs. In Chemical B and 100 Kgs. In Chemical C was noticed due to breakages. At Surat, the manufacturer paid Octroi duty @ Re. 0.10 per Kg. He also paid Cartage of Rs. 22 for chemical A. Rs. 63.12 for chemical B and Rs. 31.80 for chemical C. Calculate the stock rate that you would suggest for pricing of chemicals assuming a provision of 5% towards further deterioration.

40. Two materials, X and Y, are used as follows :

- Minimum usage - 50 units per week each;
- Maximum usage - 150 units per week each;
- Normal usage - 100 units per week each;
- Ordering quantity : X - 600 units and Y - 1,000 units
- Delivery period : X - 4 to 6 weeks;
- Y - 2 to 4 weeks;

Calculate for each material :

- (a) Minimum level; (b) Maximum level; and (c) Ordering level



## UNIT – II

### CHOOSE THE CORRECT ANSWER

1. Bonus under Halsey plan is paid
  - (a) At 100% of Time saved
  - (b) At 75% of Time saved
  - (c) At 80% of Time saved
  - (d) At 50% of Time saved
2. Halsey premium scheme is
  - (a) Individual incentive scheme
  - (b) Group incentive scheme
  - (c) Time and piece wage system
  - (d) Differential piece wage system
3. Bonus under Rowan scheme is paid
  - (a) As a proportion of Standard time to actual time
  - (b) As a proportion of actual time to Standard time
  - (c) As a proportion of Time saved to Standard time
  - (d) None of the above
4. Overhead is also known as
  - (a) On cost
  - (b) Basic cost
  - (c) Extra cost
  - (d) Chargeable expenses
5. Factory overhead is also termed as
  - (a) Sundry overhead
  - (b) Extra overhead
  - (c) Works overhead
  - (d) None of the above
6. Comprehensive machine hour rate includes
  - (a) Machine operator's wages
  - (b) Managing director's salary
  - (c) Income tax
  - (d) Office Rent
7. Charging output of overhead takes place when
  - (a) Allocation
  - (b) Absorption
  - (c) Apportionment
  - (d) None of the above
8. Appropriate basis for apportionment of materials handling charges is
  - (a) Material purchased
  - (b) Material in stock
  - (c) Material consumed
  - (d) Material wasted

9. Idle Time is  
 (a) Time spend by workers in factory  
 (b) Time spent by workers off their work  
 (c) Time spent by workers on their jobs  
 (d) None of the above
10. Time wages are paid on the basis of  
 (a) Standard time  
 (b) Time saved  
 (c) Output produced  
 (d) Actual time

**Answers :** 1. (d) 2. (a) 3. (c) 4. (a) 5. (c) 6. (a) 7. (b) 8. (c) 9. (b) 10. (d)

**SHORT QUESTIONS (2 MARKS)**

11. Define Labour turnover.  
 12. What is 'Piece rate system'?  
 13. What is Time rate system of wage payment?  
 14. Define Halsey Plan.  
 15. Define Overheads.  
 16. What is Machine Hour Rate?  
 17. What is 'Apportionment of overheads'?  
 18. Define Direct expenses.  
 19. What do you mean by Absorption Rate?  
 20. What is Variable overheads?

**PARAGRAPH QUESTIONS (5 MARKS)**

21. What are the features of a good wage system?
22. From the following particulars prepare a statement showing the labour cost per man-day of 8 hours.  
 (a) Basic salary – Rs. 2 per day  
 (b) Dearness allowance – 25 ps for every point over 100 (cost of living index for working class) Current cost of living index is 700 points.  
 (c) Leave salary – 10% of (a) and (b)  
 (d) Employer's contribution to P.F - 8% of (a), (b) and (c)  
 (e) Employer's contribution to state insurance 2.5% of (a), (b) and (c)  
 (f) Expenditure on amenities to labour Rs. 20 per head per mensem.  
 (g) Number of working days in a month – 25 days of 8 hours each.
23. The following information is extracted from the records of a company for the month of Oct.2018.

Number of employees at the beginning of the month	950
Number of employees at the end of the month	1050
Number of employees resigned	10
Number of employees discharged	30
Number of employees replaced in the variances	20
Number of employees appointed due to expansion scheme	120

Calculate the Labour turnover rate.

24. The output of a worker X is 100 units in 40 hours per week. Graduated time rate is Rs. 4 per hour. Ordinarily piece rate is Rs. 2 per unit. Show the earnings of the worker under  
(a) Piece rate system and  
(b) Time rate systems.

25. Find out Direct Labour Hour Rate from the following information :  
(i) Total number of employees in the department 250.  
(ii) Of the total employees 50 belong to the category of helpers, supervisors etc.,  
(iii) The department works for total of 300 days in a year at 8 hours a day.  
(iv) Of the total working days 5% are considered to be idle time.  
(v) Total annual overheads of the department are Rs. 22,800

26. Compute Machine Hour Rate :  
Cost of the Machine Rs. 25,000  
Scrap Value Rs. 5,000  
Effective working life of the machine 10,000 hours  
Repairs for effective working life Rs. 5,000  
Power consumption 5 units per hour at Rs. 3 per unit  
Total hours worked 1,000 hours during the year 2018-2019

27. The factory overhead of Sai Ltd., for the month of January 2010 was Rs. 60,000. The output during the month was 12,000 units. Assuming there was no work-in-progress. Ascertain unit based absorption rate for the month.

28. Calculate Machine hour rate from the details of expenses relating to a machine :

Name and Make	: "Blux Fox"- Mark IV-Cutter
Life	: 10 years at 2000 hours per annum
Cost	: Rs. 1,00,000 plus Rs. 10,000 towards installation
Life and value	: Rs. 10,000
Power consumption	: 10 units per hour
Oil Expenses	: 25% of power
Repairs	: 50% of depreciation
Consumable stores	: Re. 1 per hour

Rate of power is Re. 0.10 per unit and one operator is engaged on the machine at Rs. 4 per day of 8 hours.

29. What are the techniques of control of selling and distribution overhead?

30. The total overhead expenses of a factory are Rs. 4,46,380. Taking into account the normal working of the factory, overhead was recovered in production at Rs. 1.25 per hour. The actual hours worked were 2,93,104. How would you proceed to close the books of accounts, assuming that besides 7,800 units produced of which 7,000 were sold, there were 200 equivalent units in work-in-progress? On investigation it was found that 50 percent of the unabsorbed overhead was on account of increase in the cost of indirect materials and indirect labour and the other 50 per cent was due to factory inefficiency. Give also the profit implication of this method.

### ESSAY TYPE QUESTIONS (10 MARKS)

31. Calculate the earnings of workers X and Y under (A) Straight piece rate system and (B) Taylor's differential piece rate system from the following details :

Standard time per unit = 12 minutes  
Standard rate per hour = Rs. 60  
Differentials to be used 80% and 120%

In a particular day of 8 hours, worker 'X' produced 30 units and worker 'Y' produced 50 units.

32. The following particulars are related to a product :

Standard output per day of 8 hours is 8 units

Normal wage per day is Rs. 12

Actual output by Ahmed in a day – 10 units

Calculate the earnings of Ahmed and also the labour cost per unit under the following methods :

(a) Time rate      (b) Piece rate      (c) Halsey plan      (d) Rowan plan

33. The scheme of wage payment in M/s. Rashmi Industries is : Basic wage rate Rs. 5 per hour for time worked, in addition, on time saved, at half the time rate as incentive.

Calculate the earnings and effective wage rate per hour of Panchamukhi, Ramappa and Siddanna who completed a job in 10 hours, 8 hours and 14 hours respectively, for which time allowed was 12 hours per worker.

What will be their earnings and effective wage rate, if they are paid according to Rowan's plan?

34. The following information pertains to three machines used in a shop :

	Machine A	Machine B	Machine C
	Rs.	Rs.	Rs.
Rent & Taxes	75	59	120
Insurance	2	1	4
Power @ Re. 0.08 per unit	128	146	270
Administrative Overheads	50	37	76
Factory Overheads	307	252	389
Repairs	30	63	15
Oil and Sundries	8	15	10
Depreciation	40	37	68

Each machine uses 5 units of power per hour. Job No. 28 was completed with help of these machines. The cost of materials and labour were Rs. 5,000 and Rs. 5,000 respectively. Machine A was used for 35 hours, machine B for 10 hours and Machine C for 8 hours. Compute the machine hour rate and also cost of Job No. 28.

35. From the following particulars, calculate wages earned by workers X, Y and Z respectively under the Taylor's system :

Standard time allowed      - 10 units per hour

Normal wage rate              - Rs. 10 per hour

Differential rates to be applied :

90% of piece rate when below standard

125% of piece rate when at or above the standard

The production on a day of 8 hours :

X – 75 units;    Y – 85 units;    Z – 120 units

36. Raj works in a factory where the following particulars apply :

- Normal rate per hour – Rs. 1.50
- Normal piece rate – 20% more of time rate
- Expected output – 20 units per hour
- Raj produces – 157 units in an 8 hour day

Calculate his wages for the day on :

- (a) Time basis and
- (b) Piece basis

37. Distinguish between allocation and apportionment of overheads. Mention also the bases of apportionment of expenses.

38. The following information relates to the activities of a production department for a certain period in a factory :

Material used	Rs. 72,000
Direct wages	Rs. 60,000
Hours of machine operation	20,000
Labour hours worked	24,000
Overheads chargeable to the department	Rs. 48,000

On one order carried out in the department during the period, the relevant data were :

Material used	Rs. 4,000
Labour hours	1,650
Direct wages	Rs. 3,300
Machine hours	1,200
Overheads chargeable to the department	Rs. 48,000

Prepare a comparative statement of cost of this order by using the following three methods of recovery of overheads :

- (i) Direct Labour Hour Rate Method
- (ii) Direct Labour Cost Rate Method
- (iii) Machine Hour Rate Method

39. Calculate the overheads allocable to production departments A and B. There are also two service departments X and Y :

X renders service worth Rs. 12,000 to 'Y' and the balance to A and B as 3 : 2.

Y renders service to A and B as 9 : 1

Particulars	A	B	X	Y
Floor space (Sq. ft.)	5,000	4,000	1,000	2,000
Assets (Rs. in lakhs)	10	5	3	1
H.P. of machines	1,000	500	400	100
No. of workers	10	50	50	25
Light and fan points	50	30	20	20

Expenses and charges are :

Particulars	A	B	X
Floor space (Sq. ft.)	5,000	4,000	1,000
Assets (Rs. in lakhs)	10	5	3
H.P. of machines	1,000	500	400
No. of workers	10	50	50

40. A factory has three production departments A, B and C and two service departments X and Y. The overhead costs of the different departments incurred during March 2007 are as follows :

Departments	Costs (Rs.)
A	10,000
B	8,000
C	6,000
X	5,000
Y	3,000

The costs of department X have to be charged in the ratio of 2 : 2 : 1 and those of department Y equally to Departments A, B and C respectively. Find out overhead costs of each production department.



## UNIT – III

### CHOOSE THE CORRECT ANSWER

1. Process costing is suitable to industries where
  - (a) Production is carried on in two or more consecutive stages
  - (b) Production is as per customer specifications
  - (c) Specialized services are rendered
  - (d) Contracts are undertaken
2. Process cost is ascertained and recorded in
  - (a) Balance sheet
  - (b) Profit and loss account
  - (c) Separate statement
  - (d) Separate account in ledger
3. Finished products of a preceding process is
  - (a) The raw material for subsequent process
  - (b) Cost of production of subsequent process
  - (c) Credited to subsequent process
  - (d) None of the above
4. Scrap value of normal loss is
  - (a) Credited to P & L A/c
  - (b) Show in Balance sheet
  - (c) Credited to Process Account
  - (d) Debited to Process Account
5. Abnormal Loss and Gain units are valued at
  - (a) Market value
  - (b) Scrap value
  - (c) Realisable value
  - (d) Cost per unit of the process-just like good output
6. Contract costing is the most appropriate method of costing for
  - (a) Construction industry
  - (b) Banking industry
  - (c) Textile mills
  - (d) Cement industry
7. Cost of a contract and profit or loss thereon are determined by preparing
  - (a) Cost sheet
  - (b) P & L A/c
  - (c) Trading A/c
  - (d) Separate Ledger A/c
8. The basis for determining profit to be taken into account on incomplete contracts is
  - (a) Cost of contract
  - (b) Contract price
  - (c) Percentage of work certified as done
  - (d) Uncertified work



9. When there is loss on an incomplete contract, the transfer to P & L A/c is  
 (a) Proportionate loss to work certified  
 (b) Proportionate loss to cash received to work certified  
 (c) Full amount of the loss  
 (d) None of the above
10. Usually, a contract account of an incomplete contract reveals  
 (a) Gross profit  
 (b) Net profit  
 (c) Operating profit  
 (d) Notional profit

**Answers :** 1. (a) 2. (d) 3. (a) 4. (c) 5. (d) 6. (a) 7. (d) 8. (c) 9. (c) 10. (d)

**SHORT QUESTIONS (2 MARKS)**

11. What is Process costing?  
 12. What is scrap value?  
 13. What is normal loss?  
 14. List out any two features of process costing.  
 15. What is abnormal loss?  
 16. What do you mean by Cost Plus Contract?  
 17. What do you meant by Contract costing?  
 18. What is Notional profit?  
 19. What is Escalation Clause?  
 20. What do you mean by Incomplete contracts?

**PARAGRAPH QUESTIONS (5 MARKS)**

21. Describe the necessary adjustment usually required to close the books at the end of the costing period where the contract is incomplete.  
 22. What are the advantages of process costing?  
 23. From the following information you are required to prepare process account :

	Rs.
Materials consumed	12,000
Direct labour	14,000
Manufacturing expenses	4,000
Input in Process A/c (10,000 units)	10,000
Output (9,400 units)	
Value of normal wastage Rs. 8 per 100 units	

24. Find out cost of output and Abnormal Loss :

Cost per unit of the process	Rs. 80
Output of the process	1000 units
Abnormal Loss	200 units
Scrap Value	Rs. 20 per unit
Market price per unit	Rs. 120

25. From the following information you are required to prepare process account :

Materials consumed	- Rs. 12,000
Direct labour	- Rs. 14,000
Manufacturing expenses	- Rs. 4,000
Input in Process A (10,000 units)	- Rs. 10,000
Output (9,400 units)	
Value of normal wastage	- Rs. 8 per 100 units

26. In Process B, 75 units of a commodity were transferred from Process A at a cost of Rs.1,310. The additional expenses incurred by the process were Rs. 190. 20% of the units entered are normally units. Prepare Process B account and Abnormal Gain Account.
27. A factory is engaged in the production of a Chemical X and in the course of its manufacture a by-product Y, is produced, which after a separate process has a commercial value. For the month of January 2018, the following are the summarized cost data :

	Joint Expenses Rs.	Separate Expenses	
		X Rs.	Y Rs.
Materials	19,200	7,360	780
Labour	11,700	7,680	2,642
Overheads	3,450	1,500	544

The output for the month was 142 tonnes of X and 49 tonnes of Y and the selling price of Y averaged Rs. 280 per tonne.

Assuming that the profit of Y is estimated at 50% of the selling price, prepare an account showing the cost of X per tonne.

28. From the information given below relating to an unfinished contract. Ascertain  
 (a) Profit on work certified  
 (b) Cost of work in progress at the end of the year.

	Rs.		Rs.
Materials sent to site	86,000	Work certified	1,90,000
Labour engaged on site	65,000	Work uncertified	7,700
Plant issued	80,000	Materials in hand	2,000
Direct expenses	8,000	Wages accrued	300
Establishment charges	4,000	Cash received	1,61,500
Materials returned to stores	600	Depreciation of plant	7,000

Assume contract price is Rs. 2,50,000

29. The following is the summary of transactions as on 31<sup>st</sup> December, 2006, relating to a special contract completed during the year. Contract price Rs. 6,000.

	Rs.
Materials bought from the market	1,500
Materials issued from the stores	500
Wages	2,440
Direct expenses	294
Office on cost -10% of prime cost	

You are required to prepare a contract account keeping in view that material returned amounted to Rs. 240. Works cost on 25% on direct wages.

30. The following are the expenses of Balaji & Co., in respect of a contract which commenced on 1st January 2010 :

	Rs.
Materials purchased	50,000
Materials on hand	2,500
Direct Wages	75,000
Plant issued	25,000
Direct expenses	40,000

The contract price was Rs. 7,50,000 and the same was duly received when the contract was completed in August 2010. Charge indirect expenses at 15% on wages; provide Rs. 5,000 for depreciation on plant and prepare the contract account and the Contractee's Account.

### ESSAY TYPE QUESTIONS (10 MARKS)

31. Explain Abnormal loss and Abnormal gain and state how they should be dealt with in Process Cost Accounts.
32. Explain the methods and applicability of contract costing.
33. Briefly explain the different methods of calculating profit on an incomplete contracts.
34. A product passes through three processes A, B and C. The details of expenses incurred on the three processes during the year 2018 were as under :

	Process A Rs.	Process B Rs.	Process C Rs.
Units issued/ introduced cost per unit Rs. 100	10,000		
	Rs.	Rs.	Rs.
Sundry materials	10,000	15,000	5,000
Labour	30,000	80,000	65,000
Direct expenses	6,000	18,150	27,200
Selling price per unit of output	120	165	250

Management expenses during the year were Rs. 80,000 and selling expenses were Rs. 50,000. These are not allocable to the processes.

Actual output of the three processes were :

A : 9,300 units; B : 5,400 units; C : 2,100 units

Two thirds of the output of process A and one half of the output of process B was passed on to the next process and the balance was sold. The entire output of process 'C' was sold.

The normal loss of the three processes, calculated on the input of every process was:

Process A 5%; B 15% and C 20%. The loss of units in process A was sold at Rs. 2 per unit, that of B at Rs. 5 per unit and of process 'C' at Rs. 10 per unit.

35. A product passes through two distinct processes A and B and then to finished stock. The normal wastage of each process is as follows :

Process A – 3% of units entering the process

Process B – 5% of units entering the process

Wastage of process A was sold at Re. 0.50 per unit and that of process B at Rs. 1 per unit. 10,000 units were introduced into process A at a cost of Rs. 2 per unit.

	Process A Rs.	Process B Rs.
Sundry materials	2,000	3,000
Wages	10,000	16,000
Overhead expenses	2,100	2,375
Actual output	9,500 units	9,100 units

Prepare Process Account.

36. In given period, the production data and costs for a process were :

Production 2,100 units fully complete.

Production 700 units partly complete.

The degree of completion of the partly complete units were ;

Material – 80% complete.

Labour & overheads – 50% complete.

The costs for the period were :

Material – Rs. 24,800

Labour – Rs. 16,750

Overheads – Rs. 36,200

Calculate the total equivalent production, the cost per completed unit and the value of the work-in-process.

37. Siva & Co., undertook a contract, the contract price being Rs. 1,00,000. The contract commenced on 1st January 2009. During the year work certified was valued at Rs. 50,000 of which 75% was received. Work uncertified amounted to Rs. 10,000. The following expenses were incurred.

Materials – Rs. 30,000; Labour – Rs. 20,000; Plant – Rs. 10,000

Direct expenses – Rs. 8,000; Indirect expenses – Rs. 5,000

At the end of the year wages accrued were Rs. 2,000; Materials in hand Rs. 1,000 and plant in hand Rs. 1,500. Prepare process account. Also show how Work-in-progress appears in Balance Sheet.

38. Pari & Co., obtained a contract for building a factory for Rs. 10,00,000. Building operations started on 1st April 2000 and at the end of March 2001, they received from the contractor a sum of Rs. 3,90,000 being 75% of the amount due on surveyor's certificate. The following additional information is given from the books of Pari & Co., Ltd.,

Stores issued to contract	Rs.2,00,000
Stores on hand on 31.3.2001	Rs.10,000
Wages paid	Rs.1,80,000
Plant purchased	Rs.2,00,000
Direct expenses	Rs.25,000
Overheads allocated to contract	Rs.12,000
Work finished but not yet certified	Rs.12,000

Plant to be depreciated at 10%. You are required to prepare an account showing profit and loss on contract on 31.3.2001 and amount of profit the company would be justified in taking to the credit of profit and loss account for the year.

39. From the following information, prepare contract account in tabular form and show how these figures appear in the balancesheet as on 31st December, 2017 :

Particulars	CONTRACT		
	A	B	C
Commencement	1-1-2017	1-7-2017	1-10-2017
	Rs.	Rs.	Rs.
Contract Price	80,000	54,000	60,000
Raw material	14,400	11,600	4,000
Wages	22,000	22,400	2,800
General charges	800	560	200
Plant installed	4,000	3,200	2,400
Materials on hand	800	800	400
Wages accrued	800	800	360
Work certified	40,000	32,000	7,200
Cash received in respect of work certified	30,000	24,000	5,400
Work finished but not certified	1,200	1,600	420

Depreciation is to be charged on the plant @ 10% which was installed on the opening date of the contract in each case.

40. Crystal company engaged in contract work has the following Trial Balance on 31st December, 2018 :

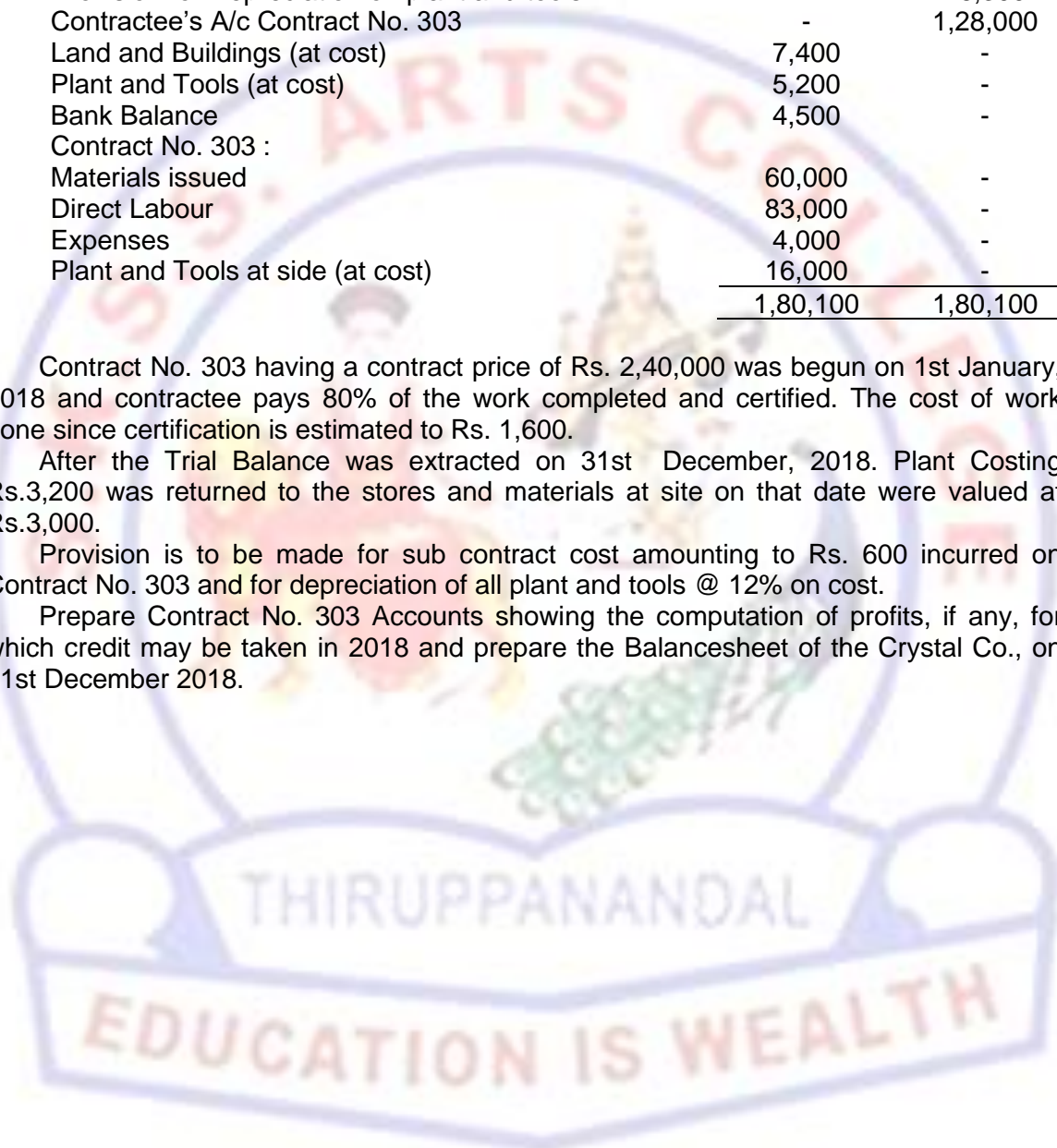
	Dr.	Cr.
Share Capital – Shares of Rs. 10 each	-	35,180
Profits & Loss as on 1st Jan. 2002	-	2,500
Provision for Depreciation on plant and tools	-	6,300
Contractee's A/c Contract No. 303	-	1,28,000
Land and Buildings (at cost)	7,400	-
Plant and Tools (at cost)	5,200	-
Bank Balance	4,500	-
Contract No. 303 :		
Materials issued	60,000	-
Direct Labour	83,000	-
Expenses	4,000	-
Plant and Tools at side (at cost)	16,000	-
	1,80,100	1,80,100

Contract No. 303 having a contract price of Rs. 2,40,000 was begun on 1st January, 2018 and contractee pays 80% of the work completed and certified. The cost of work done since certification is estimated to Rs. 1,600.

After the Trial Balance was extracted on 31st December, 2018. Plant Costing Rs.3,200 was returned to the stores and materials at site on that date were valued at Rs.3,000.

Provision is to be made for sub contract cost amounting to Rs. 600 incurred on Contract No. 303 and for depreciation of all plant and tools @ 12% on cost.

Prepare Contract No. 303 Accounts showing the computation of profits, if any, for which credit may be taken in 2018 and prepare the Balancesheet of the Crystal Co., on 31st December 2018.



## UNIT – IV

### CHOOSE THE CORRECT ANSWER

1. Management account is suitable for
  - (a) Small business
  - (b) Co-operative societies
  - (c) Non-profit organizations
  - (d) Large Industrial and Trading Concerns
2. Management Accounts analyses Accounting data with the help of
  - (a) Tools and Techniques
  - (b) Statutory Forms
  - (c) Auditors
  - (d) None of the above
3. Basic objective of Management Account is
  - (a) To ascertain Profit & Loss
  - (b) To settle disputes between Management and workers
  - (c) To report to different levels of Management on performance
  - (d) None of the above
4. A 'Ratio' is a
  - (a) Journal entry
  - (b) Business Transaction
  - (c) Relationship between two items
  - (d) None of the above
5. Current Ratio Indicates
  - (a) Ability to meet short term obligations
  - (b) Efficiency of Management
  - (c) Profitability
  - (d) None of the above
6. Break even point is
  - (a) Sales at which profit is high
  - (b) Sales at which there is loss
  - (c) Sales at which there is no profit or loss
  - (d) None of the above
7. Margin of safety is
  - (a) Sales at which there is profit
  - (b) Sales at which there is loss
  - (c) Sales in excess of BEP
  - (d) None of the above
8. The Liquid Ratio should be around
  - (a) 4
  - (b) 5
  - (c) 2
  - (d) 1

9. Solvency Ratio include
- Gross profit Ratio
  - Fixed assets turnover
  - Capital Gearing Ratio
  - Profit Earning Ratio
10. P/V Ratio is
- Price volume ratio
  - Price variance ratio
  - Contribution to sales ratio
  - Total cost to sales ratio

**Answers :** 1. (d) 2. (a) 3. (c) 4. (c) 5. (a) 6. (c) 7. (c) 8. (d) 9. (c) 10. (c)

**SHORT QUESTIONS (2 MARKS)**

- Define Management Accounting.
- List out the functions of Management Accounting.
- What is 'Ratio Analysis'?
- What is P/E Ratio?
- What is marginal costing?
- What do you mean by Current Ratio?
- What is Break Even Point?
- What is Angle of Incidence?
- What is Contribution?
- What is Margin of Safety?

**PARAGRAPH QUESTIONS (5 MARKS)**

- What are the characteristics of Management Accounting?
- What are the uses of Ratio Analysis?
- Veena Ltd., submit the following details for the year ending 31-3-2018. Calculate Net Profit Ratio

	Rs.
Sales	2,00,000
Gross Profit	60,000
Administration, selling and distribution expenses	25,000
Other expenses	10,000
Income from Investments	15,000
Loss on sale of machine	5,000

- Ascertain Operating Profit Ratio from the following details :

	Rs.
Net Profit after Tax	80,000
Profit on Sale of Buildings	30,000
Loss on sale of land	20,000
Preliminary Expenses written off	10,000
Provision for Tax	40,000
Interest on Debentures paid	20,000
Net Sales	7,00,000

25. From the following Balance Sheet of Sudarshan Co., Ltd., you are required to calculate :  
 (a) Cash Ratio (b) Liquidity Ratio

**Balance Sheet**

Liabilities	Rs.	Assets	Rs.
Share capital	4,00,000	Equipment (net)	2,70,000
Retained profit	1,01,000	Investment (short-term)	70,000
Unpaid dividends	16,000	Inventory	1,80,000
Creditors	90,000	Debtors	1,26,000
Bills payable	60,000	Cash	10,000
		Preliminary expenses	11,000
	6,67,000		6,67,000

26. Calculate Debtors collection period from the following details :

	1994 Rs.	1995 Rs.
Total sales	5,80,000	6,90,000
Cash sales	80,000	90,000
Debtors	85,000	92,000
Bills receivable	5,000	8,000
Provision for bad debts	6,000	8,000

27. The following figures are extracted from the books of a manufacturing concern :

	Rs.
Direct material	4,10,000
Direct Labour	1,50,000
Fixed Overheads	1,20,000
Variable Overheads	2,00,000
Sales	10,00,000

You are required to calculate Break-even point in terms of rupee sales and also effect on Break-Even point of an increase of 10% in

- (a) Fixed Overheads (b) Variable Overheads

28. Cost-Volume Profit Analysis :

	Rs.
Present Sales	1,00,000
Variable Cost	60,000
Fixed Cost	20,000

Ascertain the effect of 10% reduction of selling price on :

- (a) P/V Ratio (b) Break Even Point

Also calculate the sales required to maintain the profit at the present level.

29. The P/V Ratio of a firm dealing in precision instruments is 50% and margin of safety is 40%.

You are required to work-out break even point and the net profit if the sales volume is Rs. 50,00,000. If 25% of variable cost is labour cost, What will be the effect on BEP and profit when labour efficiency decreased by 5%

30. From the particulars given below calculate :

- (a) Break even point (b) Profit or loss when sales are Rs. 12,000 and  
 (c) Sales required to earn a profit of Rs. 5,000

	Sales Rs.	Profit/Loss (-) Rs.
Period 1	10,000	- 500
Period 2	14,000	1,500



### ESSAY TYPE QUESTIONS (10 MARKS)

31. Distinguish between Management Accounting and Financial Accounting.  
 32. Explain the different ways of classifying Ratios and their respective purposes.  
 33. Following is the Balance Sheet of Shankar Ltd., as on 31-12-2017.

	Rs.		Rs.
Share capital	60,000	Fixed assets	1,30,000
Reserves	40,000	Stock	30,000
6% Debentures	70,000	Debtors	20,000
Creditors	14,000	Bills receivable	15,000
Bills payable	6,000	Cash in hand	5,000
Bank overdraft	10,000		
	2,00,000		2,00,000

Other information :

- (a) Net sales Rs. 3,00,000  
 (b) Cost of goods sold Rs. 2,50,000  
 (c) Opening Stock Rs. 20,000  
 (d) Number of working days 360 days.

Calculate :

- (a) Current Ratio  
 (b) Liquid Ratio  
 (c) Inventory Turnover Ratio  
 (d) Average collection period  
 (e) Debt-Equity Ratio.

34. From the following information make out a statement of proprietors funds with as many details as possible :

- (1) Current Assets  
 (2) Current Liabilities  
 (3) Stocks  
 (4) Fixed Assets
- (a) Current ratio 2.5  
 (b) Liquidity ratio 1.5  
 (c) Proprietary ratio (fixed assets/ proprietary fund) 0.75  
 (d) Working Capital Rs. 60,000  
 (e) Reserves and Surplus Rs. 40,000  
 (f) Bank Overdraft Rs. 10,000  
 (g) There is no long-term or fictitious assets.

35. With the help of the following ratios regarding Indhu films draw the Balancesheet of the company for the year 2017 :

Current Ratio	2.5
Liquidity Ratio	1.5
Net working capital	Rs. 3,00,000
Stock Turnover Ratio (Cost of Sales/Closing Stock)	6 Times
Gross Profit Ratio	20%
Debt Collection Period	2 months
Fixed Assets Turnover Ratio (On Cost of Sales)	2 Times
Fixed Assets to Shareholders Net Worth	0.80
Reserves & Surplus to capital	0.50

36. Assuming that the cost structure and selling price remain the same in Periods I and II. Find out :

- (a) Profit Volume Ratio
- (b) Fixed Cost and BEP
- (c) Profit when Sales are Rs. 1,00,000
- (d) Sales required to earn a profit of its Rs. 20,000
- (e) Margin of Safety for II period

Period	Sales	Profit
I	1,20,000	9,000
II	1,40,000	13,000

37. Position of Alfa Ltd., for the year 2017 :

	Rs.
Sales	2,00,000
Variable cost	1,50,000
Gross profit	50,000
Fixed overheads	15,000
Net profit	35,000

From the above particulars find out :

- (a) Profit – Volume Ratio
- (b) Break-Even Point
- (c) Margin of Safety from the sales of Rs. 3,00,000
- (d) Net Profit from the sales of Rs. 3,00,000
- (e) Additional sales required to cover an increase of Rs. 3,000 per annum in the Sales Manager's salary.

38. Sales price - Rs. 20,000  
 Variable manufacturing cost - Rs. 11 per unit  
 Variable selling cost - Rs. 3 per unit  
 Fixed factory overheads - Rs. 5,40,000 per year  
 Fixed selling costs - Rs. 2,52,000 per year

Calculate :

- (a) Break even point in volume and value
- (b) Sales required to earn a profit of Rs. 60,000
- (c) Sales required to earn a profit of 10% of sales

39. You are given the following data for the year 2001 of a concern.

	Rs.
Variable Cost	6,00,000
Fixed Cost	3,00,000
Net Profit	1,00,000
Sales	10,00,000

- Find :
- (a) P/V Ratio
  - (b) B.E.P.
  - (c) Profit when sales is Rs. 12,00,000 and
  - (d) Sales in Rupees to earn a profit of Rs. 2,00,000

40. The information about Raj & Co., are given below :

- (a) Profit-Volume ratio 20%
- (b) Fixed Cost Rs. 36,000
- (c) Selling Price per unit Rs. 150

Calculate :

- (a) B.E.P. (in Rs.)
- (b) B.E.P. (in units)
- (c) Variable cost per unit
- (d) Profit on sales of Rs. 4,00,000

## UNIT – V

### CHOOSE THE CORRECT ANSWER

1. Budgeting is
    - (a) A Technique
    - (b) A method of costing
    - (c) Maintaining ledger Accounts
    - (d) None of the above
  
  2. Sales Budget is
    - (a) Budget of output to be sold
    - (b) Budget for selling expenses
    - (c) Budget of Revenue and expenses
    - (d) A list of incentives to salesmen
  
  3. Consumption of Raw material is based on
    - (a) Production
    - (b) Sales
    - (c) Cash
    - (d) Market
  
  4. Purchase Budget refers to
    - (a) Purchase of Fixed Assets
    - (b) Purchase of Raw materials
    - (c) Purchase of Advertising and distribution materials
    - (d) Purchase of office supplies
  
  5. A production budget is based on
    - (a) Cash Budget
    - (b) Overheads Budget
    - (c) Sales Budget
    - (d) Purchase Budget
  
  6. A master budget is
    - (a) Budget for Assets and Liabilities
    - (b) Budget of Profit or Loss
    - (c) Budget for managerial remuneration
    - (d) Budget for operations of the entire organization
  
  7. A Flexible Budget is
    - (a) Budget for different capacity levels
    - (b) Budget for different departments
    - (c) Budget for receipts and payments
    - (d) None of the above
  
  8. Standard costs are determined on
    - (a) Zero base
    - (b) The basis of trade cycle
    - (c) Scientific basis
    - (d) None of the above
- 

9. Standard costing is helping the management in  
 (a) Increasing the overall efficiency  
 (b) Cost reduction  
 (c) Increasing production efficiency  
 (d) None of the above
10. Time and motion study is widely adopted in setting up ----- standard.  
 (a) Material cost  
 (b) Material price  
 (c) Labour cost  
 (d) All of the above

**Answers :** 1. (a) 2. (a) 3. (a) 4. (b) 5. (c) 6. (d) 7. (a) 8. (a) 9. (b) 10. (d)

**SHORT QUESTIONS (2 MARKS)**

11. What is a 'Budget'?
12. Define 'Budgetary Control'.
13. What is Forecasting?
14. What do you mean by Production Budget?
15. What is Master Budget?
16. List out any two objectives of Budgetary Control.
17. What do you mean by Labour variances?
18. What is Standard Costing?
19. What is material variances?
20. What do you meant by Overhead variances?

**PARAGRAPH QUESTIONS (5 MARKS)**

21. What are the essentials of a good Budgetary Control System?
22. Prepare a Production Budger for 3 months ending 31-3-2017 for a factory producing 5 products, on the basis of the following information :

Type of Product	Opening Stock (Units)	Budgeted Sales (Units)	Desired Closing Stock (Units)
A	5,000	20,000	4,000
B	6,000	25,000	6,000
C	10,000	50,000	11,000
D	1,000	10,000	1,000
E	2,000	5,000	5,000

23. Draw up a Flexible Budget of production at 75% and 100% capacity on the basis of the following data for a 50% activity :

	Per unit Rs.
Materials	100
Labour	50
Variable expenses (direct)	10
Administrative expenses (50% fixed)	40,000
Selling and Distribution expenses (60% fixed)	50,000
Present production (50% activity)	1,000 units

24. A firm produces two products called 'A' and 'B'. The opening balance of the products are 7,800 units and 8,400 units respectively. The estimated sales during a month are 14,700 units and 15,300 units respectively. The required closing balances are 8,200 and 9,000 units. Prepare Production Budget.

25. A company which supplies its output on contract basis as component to an assembling firm has a contract to supply 10,000 units of its only product during 2016. The following were the budgeted expenses and revenue.

Material	Rs. 15 per unit
Wages	Rs. 10 per unit
Works expenses – (Fixed)	Rs. 40,000
(Variable)	Rs. 4 per unit
General expenses (all fixed)	Rs. 60,000
Profit is 20% on sales price.	

Prepare the budget for 2016 showing the costs and profit.

26. The standard material and standard cost per kg., of material required for the production of one unit of product A is as follows :

Material	– 5 kgs
Standard price	- Rs. 5 per kgs

The Actual production and related material data are as follows :

400 units of Product A
Material used 2,200 kgs
Price of material Rs. 4.50 kgs

Calculate Material Variances.

27. From the following information, Calculate the Material Mix Variance :

Materials	Standard	Actual
A	200 units @ Rs. 12	160 units @ Rs. 13
B	100 units @ Rs. 10	140 units @ Rs. 10

Due to shortage of Material A , it was decided to reduce consumption of A by 15% and increase that of Material B by 30%

28. From the data given below, Calculate Labour Variances for the two departments :

	Dept. A	Dept. B
Actual Gross Wages	Rs. 2,000	Rs. 1,800
Standard hours produced	8,000	6,000
Standard Rate per hour	30 paise	35 paise
Actual hours worked	8,200	5,800

29. From the following data, calculate Labour variance;

Standard time per unit	- 2.5 hours
Actual hours	- 2,000
Standard wage rate	- Rs. 2 per hour
Actual output	- 1,000 units
Actual wages	- Rs. 4,500

20% of the actual time has been lost due to machinery break down.

30. From the following data, Calculate Overhead Variances :

	Budgeted (Rs.)	Actual (Rs.)
Fixed overheads	3,00,000	3,20,000
Output in units	30,000	26,000
Working hours	75,000	60,000

**ESSAY TYPE QUESTIONS (10 MARKS)**

31. Explain the advantages of Budgetary Control.

32. You are required to prepare a Selling Overhead Budget from the estimates given below :

Advertisement	Rs. 1,000
Salaries	Rs. 1,000
Expenses of the sales department (Fixed)	Rs. 750
Salaries and Dearness Allowances	Rs. 3,000
Commission at 1% on sales affected	
Carriage outwards : Estimated at 5% on sales.	
Agent Commission : 6 ½ on sales.	

The sales during the period were estimated as follows :

Rs. 80,000 including Agent's Sales	Rs. 8,000
Rs. 90,000 including Agent's Sales	Rs. 10,000
Rs. 1,00,000 including Agent's Sales	Rs. 10,500

33. A Glass manufacturing company requires you to calculate Master Budget and present the budget for the next year from the following information :

Sales :

Thougtened Glass	Rs. 3,00,000
Bent Thougtened Glass	Rs. 5,00,000
Direct Material Cost	60% of Sales
Direct Wages	20 workers @ Rs. 150 p.m

Factory overheads :

Indirect Labour :

Works manager	Rs. 500 p.m
Foremen	Rs. 400 p.m

Stores and Spares	2 ½ % on sales
Depreciation on Machinery	Rs. 12,600
Light and Power	Rs. 5,000
Other Sundries	10% on Direct Wages
Administration Selling and Distribution	Rs. 14,000 per year
Repairs and Maintenance	Rs. 8,000

34. BPL Ltd., wishes to arrange overdraft facilities with its bankers during the period April and June 2000 when it will be manufacturing mostly for stock. Prepare a Cash Budget for the above period from the following data, indicating the extent of the bank facilities the company will require at the end of each month.

(a)

	Credit Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)
February 2000	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,48,000	15,000

- (b) 50% of credit sales are realised in the month following the sales and the remaining 50% in the second month following. Creditors are paid in the month following the month following the month of purchase.
- (c) Cash at Bank on 1.4.2000 (estimated) Rs.25,000

35. The expenses budget for production of 10,000 units in a factory is furnished below :

	Per Unit
Materials	70
Labour	25
Variable expenses	20
Fixed Expenses (1,00,000)	10
Variable Expenses (Direct)	5
Selling Expenses (10%)	13
Distribution Expenses (20%)	7
Administrative Expenses	5
<b>Total Cost Per Unit</b>	<b>155</b>

Prepare a Budget for production of

- (a) 8,000 units  
 (b) 6,000 units  
 (c) Indicate cost per unit at both levels

Assume that administration expenses are fixed for all level of production.

36. Draw up a Flexible Budget for overhead expenses on the basis of the following data and determine the overheads rates at 70%, 80% and 90% plant capacity.

	At 70% Capacity Rs.	At 80% Capacity Rs	At 90% Capacity Rs
Variable Overheads :			
Indirect Labour	-	12,000	-
Stores including spares	-	4,000	-
Semi-Variable Overheads :			
Power (30% Fixed, 70% Variable)	-	20,000	-
Repairs and Maintenance (60% Fixed and 40% Variable)	-	2,000	-
Fixed Overheads :			
Depreciation	-	11,000	-
Insurance	-	3,000	-
Salaries	-	10,000	-
<b>Total Overheads</b>	-	<b>62,000</b>	-

Estimated Direct Labour Hours - 1,24,000 hours

37. The standard material cost for 100 kg of Chemical D is made up of :

- Chemical A - 30 kg @ Rs. 4 per kg  
 Chemical B - 40 kg @ Rs. 5 per kg  
 Chemical C - 80 kg @ Rs. 6 per kg

In a batch, 500 kg of Chemical D were produced from a mix of :

- Chemical A - 140 kg at a cost of Rs. 588  
 Chemical B - 220 kg at a cost of Rs. 1,056  
 Chemical C - 440 kg at a cost of Rs. 2,860

How do the yield, mix and the price factors contribute to the variance in the actual cost per 100 kg of Chemical D over the Standard Cost?

**38.** The standard time and rate for unit components are given below :

Standard hours - 20

Standard rate - Rs. 5 per hour

Actual data and related information are as under :

Actual production 1,000 units

Actual hours - 20,500 hours

Actual rate per hour – Rs. 4.80

Calculate :

(a) Labour Cost Variance

(b) Labour Efficiency Variance

(c) Labour Rate Variance

**39.** Budgeted hours for March 2000, 180 hours.

Standard rate of article produced per hour 50 units.

Budgeted fixed overheads Rs. 2,700.

Actual production March 2000, 9,200 units.

Actual hours for production 175 hours.

Actual fixed overheads Rs. 2,800.

Calculate Overhead Variances :

(1) Overhead Budget Variance

(2) Overhead Volume Variance

(3) Overhead Efficiency Variance

(4) Over Capacity Variance

**40.** The standard cost of a certain Chemical mixture is ,

40% Material A at Rs. 25 per kg

60% Material B at Rs. 36 per kg.

During a period, the Actual usage and prices were,

150 kgs of Material A at Rs. 27 per kg.

260 kgs of Material B at Rs. 34 per kg.

The actual output was 360 kgs.

Calculate :

(a) Material Cost Variance

(b) Material Price Variance

(c) Material Usage Variance

(d) Material Mix Variance

(e) Material Yield Variance

