(GI–5, GI–6)		
DATE: 15.09.2022	MAXIMUM MARKS: 100	TIMING: 3¼ Hours

PAPER 2 : 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)   (i)   Calculation of Inventory Turnover ratios and number of days:

	Material A (Rs.)	Material B (Rs.)
Opening stock	30,000	32,000
Add: Purchases	90,000	51,000
	1,20,000	83,000
Less: Closing stock	20,000	14,000
Materials consumed	1,00,000	69,000
Average inventory: (Opening Stock+Closing Stock)÷2	25,000	23,000
(a) Inventory Turnover ratio: (Consumption ÷ Average inventory)	**4 times** }{1 M}	**3 times** }{1 M}
(b) Number of days for which the average inventory held (Number of Days in a year/IT ratio)	**90 days** }{1 M}	**120 days** }{1 M}

(ii)   Comments: Material A is moving faster than Material B. Or Material A has a less holding period. }{1 M}

Answer:

(b)   (i)   Flexible Budget (before promotion)

	Particulars	Product 'AYE'	Product 'ZYE'	Total	
	Production & Sales (units)	**4,000**	**3,000**		
		Amount (Rs.)	**Amount (Rs.)**	**Amount (Rs.)**	
A.	Sales Value	**8,00,000** (Rs. 200×4,000)	**5,40,000** (Rs. 180×3,000)	13,40,000	
B.	Direct Materials	**3,20,000** (Rs. 80 × 4,000)	**2,10,000** (Rs.70 × 3,000)	5,30,000	
C.	Direct labour	**1,60,000** (Rs. 40 × 4,000)	**1,05,000** (Rs. 35 × 3,000)	2,65,000	{20 Item x 1/8 M = 2.5 M}
D.	Variable Overheads	**80,000** (Rs. 20 × 4,000)	**75,000** (Rs. 25 × 3,000)	1,55,000	
E.	Total Variable Cost (B+C+D)	**5,60,000**	**3,90,000**	9,50,000	
F.	Contribution (A-E)	**2,40,000**	**1,50,000**	3,90,000	
G.	Fixed Overhead	**40,000** (Rs.10 × 4,000)	**30,000** (Rs.10 × 3,000)	70,000	
H.	Profit (F-G)	**2,00,000**	**1,20,000**	3,20,000	
	Profit per unit	**50**	**40**		

(ii) Flexible Budget (after promotion)

	Particulars	Product 'AYE'	Product 'ZYE'	Total
	Production & Sales (units)	**4,200** (4,000×105%)	**3,150** (3,000×105%)	

		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
A.	Sales Value	**9,24,000** (Rs. 220 × 4,200)	**6,23,700** (Rs. 198 × 3,150)	15,47,700
B.	Direct Materials	**3,36,000** (Rs. 80 × 4,200)	**2,20,500** (Rs. 70 × 3,150)	5,56,500
C.	Direct labour	**1,68,000** (Rs. 40 × 4,200)	**1,10,250** (Rs. 35 × 3,150)	2,78,250
D.	Variable Overheads	**1,00,800** (Rs. 24 × 4,200)	**94,500** (Rs. 30 × 3,150)	1,95,300
E.	TotalVariable Cost (B+C+D)	**6,04,800**	**4,25,250**	10,30,050
F.	Contribution (A-E)	**3,19,200**	**1,98,450**	5,17,650
G.	Fixed Overhead	**42,000** (Rs. 40,000 × 105%)	**31,500** (Rs. 30,000 × 105%)	73,500
H.	Profit (F-G)	**2,77,200**	**1,66,950**	4,44,150
	Profit per unit	**66**	**53**	

{20 Item x 1/8 M = 2.5 M}

Answer:

(c) (i) Calculation of Effective hourly rate of earnings under Rowan Incentive Plan:

Standard time allowed = 10 hours   {1 M}
Time taken = 8 hours; Time saved = 2 hours

	Particulars	Amount (Rs.)
A	Basic guaranteed wages (Rs. 150 × 8 hours)	1,200
B	Add: Bonus for time saved ($\frac{2}{8}$ × 8 × Rs. 150)	240
C	Total earnings (A+B)	**1,440** }{1 M}
D	Hours worked	8 hours
E	Effective hourly rate (C÷D)	**180** }{1 M}

(ii) Let the time taken to complete the job is "T" and the time saved is 10-T
Effective hourly rate under the Halsey Incentive scheme

$$= \frac{(Rate \times Hours\ Worked) + (Rate \times 50\%\ of\ Time\ Saved)}{Hours\ Worked} = Rs.\ 180 \quad \{1\ M\}$$

$$= \frac{(Rs.\ 150 \times T) + Rs.\ 150 \times 50\%\ (10-T)}{T} = Rs.\ 180$$

150T + 750 -75T = 180T
180T-75T = 750

$$T = \frac{750}{105} = 7.14\ hours \quad \} \{1\ M\}$$

Answer:

(d) (i) Process - I Account

Particulars	Units	(Rs.)	Particulars	Units	(Rs.)	
To Materials	10,000	80,000	By Normal loss (5% of 10,000) }{1/2 M}	**500**	**2,500**	}{1/2 M}
To Wages	-	60,000	By Process-II A/c (Rs.20*×9,650 units) }{1/2 M}	**9,650**	**1,93,000**	}{1/2 M}
To Manufacturing OH		52,500				

To Abnormal Gain A/c (Rs. 20*×150 units)	150	3,000			
	10,150	1,95,500		10,150	1,95,500

$$*\frac{(80,000 + 60,000 + 52,500) - 2,500}{10,500 - 500} = Rs.\ 20 \quad \}\text{\{1 M\}}$$

(ii)   Abnormal Gain - Account

Particulars	Units	(Rs.)	Particulars	Units	(Rs.)
To Normal loss A/c	**150** }{1/2 M}	**750** }{1/2 M}	By Process-I A/c	150	3,000
To Costing P&L A/c	-	**2,250** }{1 M}			
	150	3,000		150	3,000

Answer 2:
(a)   No. of bags manufactured = 1,000 units

Cost sheet for the month of September 2021

	Particulars	Total Cost (Rs.)	Cost per unit (Rs.)	
1.	Direct materials consumed:			
	- Leather sheets	**3,20,000**	**320.00**	
	- Cotton cloths	**15,000**	**15.00**	
	Add: Freight paid on purchase	**8,500**	**8.50**	
	(i) Cost of material consumed	**3,43,500**	**343.50**	{9 Line x
2.	Direct wages (Rs. 80 × 2,000 hours)	**1,60,000**	**160.00**	1/4 M =
3.	Direct expenses (Rs. 10 × 2,000 hours)	**20,000**	**20.00**	2.25 M}
4.	(ii) Prime Cost	**5,23,500**	**523.50**	
5.	Factory Overheads: Depreciation on machines {(Rs. 22,00,000 × 90%) ÷ 120 months}	**16,500**	**16.50**	
	Apportioned cost of factory rent	**98,000**	**98.00**	
6.	(iii) Works/ Factory Cost	**6,38,000**	**638.00**	}{1/2 M}
7.	Less: Realisable value of cuttings (Rs. 150×35 kg.)	**(5,250)**	**(5.25)**	}{1/2 M}
8.	(iv) Cost of Production	**6,32,750**	**632.75**	}{1/2 M}
9.	Add: Opening stock of bags	0		
10.	Less: Closing stock of bags (100 bags × Rs. 632.75)	**(63,275)**		}{1/2 M}
11.	(v) Cost of Goods Sold	**5,69,475**	**632.75**	}{1/2 M}
12.	Add: Administrative Overheads:			
	- Staff salary	**45,000**	**50.00**	
	- Apportioned rent for administrative office	**12,000**	**13.33**	{5 Line x
13.	Add: Selling and Distribution Overheads			1/4 M =
	- Staff salary	**72,000**	**80.00**	1.25 M}
	- Apportioned rent for sales office	**10,000**	**11.11**	
	- Freight paid on delivery of bags	**18,000**	**20.00**	
14.	(vi) Cost of Sales {1/2 M}{	**7,26,475**	**807.19**	}{1/2 M}

Apportionment of Factory rent:
To factory building {(Rs. 1,20,000 ÷ 2400 sq. feet) × 1,960 sq. feet} = Rs. 98,000   }{1 M}
To administrative office {(Rs. 1,20,000 ÷ 2400 sq. feet) × 240 sq. feet} = Rs. 12,000   }{1 M}
To sale office {(Rs. 1,20,000 ÷ 2400 sq. feet) × 200 sq. feet} = Rs. 10,000   }{1 M}

Answer:
(b)   Variable Cost per Unit=Rs. 16
Fixed Cost per Unit =Rs. 4, Total Fixed Cost= 2,00,000 units x Rs. 4 =
Rs. 8,00,000 }{1 M}

Total Cost per Unit =Rs. 20
Selling Price per Unit=Total Cost+ Profit =Rs. 20 + Rs. 4 =Rs. 24
Contribution per Unit=Rs. 24-Rs. 16= **Rs. 8** }{1 M}

(i)   Present Break-even Sales (Quantity) = $\dfrac{Fixed\,cost}{Contribution\,margin\,per\,unit} = \dfrac{Rs.\,8,00,000}{Rs.\,8}$

         = 1,00,000 units

     Present Break-even Sales (Rs.) = 1,00,000 units x Rs. 24 = Rs. 24,00,000   {2 M}

(ii)   Present P/V Ratio = $\dfrac{8}{24} \times 100 = 33.33\%$ }{2 M}

(iii)   Revised Selling Price per unit = Rs. 24 - 10% of Rs. 24 = Rs. 21.60
       Revised Contribution per unit = Rs. 21.60 - Rs. 16 = Rs. 5.60

       Revised P/V Ratio = $\dfrac{5.60}{21.60} \times 100 = 25.926\%$

       Revised Break-even point (Rs.) = $\dfrac{Fixed\,cost}{P/V\,ratio} = \dfrac{8,00,000}{25.926\%} = Rs.\,30,85,705$ {2 M}

             Or

       Revised Break-even point (units) = $\dfrac{Fixed\,cost}{Contribution\,margin\,per\,unit} = \dfrac{8,00,000}{5.60} = 1,42,857\,units$

       Revised Break-even point (Rs.) = 1,42,857 units x Rs. 21.60 = Rs. 30,85,711

(iv)   Present profit =Rs. 8,00,000
       Desired Profit = 120% of Rs. 8,00,000 =Rs. 9,60,000
       Sales to earn a profit of Rs. 9,60,000
       Total contribution required = 8.00.000 + 9,60,000 = Rs. 17,60,000   {2 M}

       $\dfrac{Fixed\,cost}{Contribution\,margin\,per\,unit} = \dfrac{8,00,000 + 9,60,000}{5.60} = 3,14,286\,units$

       Revised sales (in Rs.)= 3,14,286 units x Rs. 21.60 = Rs. 67,88,578

Answer 3:
(a)   (a)   **Calculation of Raw Material inputs during the month:**

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

(1.5 M Bold)

(b)   **Calculation of Normal Loss and Abnormal Loss/Gain**

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

(1/8 M each Bold)

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

	Material	Labour	Overheads

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

(1/8 M each Bold)

Workings:
Statement of Equivalent Units (litre):

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

(1/8 M each Bold)

(d)   **Process Account for Month**

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

(1/8 M each Bold)

Answer:
(b)

(i)   Material Cost Variance (A + B) $= \{(SQ \times SP) - (AQ \times AP)\}$

         Rs. 3,625 $= (SQ \times SP) - Rs. 59,825$

         $(SQ \times SP)$ $= Rs. 63,450$

         $(SQ_A \times SP_A) + (SQ_B \times SP_B)$ $= Rs. 63,450$

         $(940 \text{ kg} \times SP_A) + (705 \text{ kg} \times Rs. 30)$ $= Rs. 63,450$

         $(940 \text{ kg} \times SP_A) + Rs. 21,150$ $= Rs. 63,450$

         $(940 \text{ kg} \times SP_A)$ $= Rs. 42,300$

         SP_A $= \underline{Rs. 42,300}$

                  940 kg

Standard Price of Material-A   **= Rs. 45**   **}(2 M Bold)**

Working Note:
SQ i.e. quantity of inputs to be used to produce actual output

$$= \frac{1,480 \text{kg}}{90\%} = 1,645 \text{ kg}$$

SQ_A $= \dfrac{800 \text{kg}}{(800 + 600)} \times 1,645 \text{kg} = 940 \text{ kg}$

SQ_B $= \dfrac{600 \text{kg}}{(800 + 600)} \times 1,645 \text{kg} = 705 \text{ kg}$

(ii)   Material Price Variance (A + B) $= \{(AQ \times SP) - (AQ \times AP)\}$

Rs. 175 $= (AQ \times SP) - $ Rs. 59,825

$(AQ \times SP)$ $= $ Rs. 60,000

$(AQ_A \times SP_A) + (AQ_B \times SP_B)$ $= $ Rs. 60,000

(900 kg × Rs. 45 (from (i) above))

$+ (AQ_B \times$ Rs. 30) $= $ Rs. 60,000

Rs. 40,500 $+ (AQ_B \times$ Rs. 30) $= $ Rs. 60,000

$(AQ_B \times$ Rs. 30) $= $ Rs. 19,500

$SP_A = \dfrac{\text{Rs. 19,500}}{\text{650 kg}}$

Actual Quantity of Material B   = 650 kg. } (2 M Bold)

(iii) $(AQ \times AP)$ $= $ Rs. 59,825

$(AQ_A \times AP_A) + (AQ_B \times AP_B)$ $= $ Rs. 59,825

(900 kg × AP_A) + (650 kg (from (ii)

above) × Rs. 32.5) $= $ Rs. 59,825

(900 kg × AP_A) + Rs. 21,125 $= $ Rs. 59,825

(900 kg × AP_A) $= $ Rs. 38,700

$AP_A = \dfrac{38,7000}{900} = 43$

Actual Price of Material-A   = Rs. 43 } (2 M Bold)

(iv)   Total Actual Quantity of Material-A and Material-B
$= AQ_A + AQ_B$ = 900 kg + 650 kg (from (ii) above)
          = 1,550 kg

Now,

Revised SQ_A $= \dfrac{800kg}{(800+600)} \times 1,550kg. = $ **886 kg**

Revised SQ_B $= \dfrac{600kg}{(800+600)} \times 1,550kg. = $ **664 kg**

(1 M Each Bold)

(v)   Material Mix Variance (A + B) $= \{(RSQ \times SP) - (AQ \times SP)\}$
          $= \{(RSQ_A \times SP_A) + (RSQ_B \times SP_B) - 60,000\}$
          = (886 kg (from (iv) above) × Rs. 45 (from (i) above))
          + (664 kg (from (iv) above) × Rs. 30) - Rs. 60,000
          = (39,870 + 19,920) – 60,000 = **Rs. 210 (A) } (2 M Bold)**

Answer 4:
(a)   Journal Entries under integrated system of accounting

	Particulars		(Rs.)	(Rs.)	
(i)	Work-in-Progress Ledger Control A/c	Dr.	3,25,000		
	Factory Overhead Control A/c	Dr.	1,15,000		**(2 M)**
	To Stores Ledger Control A/c			4,40,000	
	(Being issue of Direct and Indirect materials)				

(ii)	Work-in-Progress Ledger Control A/c	Dr.	4,87,500		
	Factory Overhead Control A/c	Dr.	1,62,500		(2 M)
	To Wages Control A/c			6,50,000	
	(Being allocation of Direct and Indirect wages)				
(iii)	Factory Overhead Control A/c	Dr.	2,50,000		
	To Costing Profit & Loss A/c			2,50,000	(1 M)
	(Being transfer of over absorption of Factory overhead)				
	Costing Profit & Loss A/c	Dr.	1,75,000		
	To Administration Overhead Control A/c			1,75,000	(1 M)
	(Being transfer of under absorption of Administration overhead)				
(iv)	Sundry Creditors A/c	Dr.	1,50,000		
	To Cash/Bank A/c			1,50,000	(2 M)
	(Being payment made to creditors)				
(v)	Cash/Bank A/c	Dr.	2,00,000		
	To Sundry Debtors A/c			2,00,000	(2 M)
	(Being payment received from debtors)				

Answer:

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

Particulars	B1	B2
No. of units Produced	1,800	3,000
Selling Price Per unit (Rs.)	40	30
Sales Value (Rs.)	72,000	90,000
Less: Estimated Profit (B1 -20% & B2 -30%)	(14,400)	(27,000)
Cost of Sales	57,600	63,000
Less: Estimated Selling Expenses (B1 -15% & B2 -15%)	(10,800)	(13,500)
Cost of Production	46,800	49,500
Less: Cost after separation	(35,000)	(24,000)
Joint Cost allocated	11,800	25,500

(1/4 M Each Bold)

(ii) **Statement of Profitability**

Particulars		M1 (Rs.)	B1 (Rs.)	B2 (Rs.)
Sales Value	(A)	4,00,000 (4,000 × Rs.100)	72,000	90,000
Less:- Joint Cost		1,75,100 (2,12,400 -11,800 - 25,500)	11,800	25,500
- Cost after separation		-	35,000	24,000
- Selling Expenses (M1- 20%, B1-15% & B2-15%)		80,000	10,800	13,500
	(B)	2,55,100	57,600	63,000
Profit	(A −B)	1,44,900	14,400	27,000

(1/4 M Each Bold)

Overall Profit = Rs. 1,44,900 + Rs. 14,400 + Rs. 27,000 = **Rs. 1,86,300**

(1.25 M Underline Bold)

Answer 5:

(a) (i) Calculation of total cost for 'Professionals Protection Plus' policy

Particulars	Amount (Rs.)	Amount (Rs.)

1.	Marketing and Sales support:		
	- Policy development cost	11,25,000	
	- Cost of marketing	45,20,000	
	- Sales support expenses	11,45,000	67,90,000
2.	Operations:		
	- Policy issuance cost	10,05,900	
	- Policy servicing cost	35,20,700	
	- Claims management cost	1,25,600	46,52,200
3.	IT Cost		74,32,000
4.	Support functions		
	- Postage and logistics	10,25,000	
	- Facilities cost	15,24,000	
	- Employees cost	5,60,000	
	- Office administration cost	16,20,400	47,29,400
	Total Cost		2,36,03,600

(Each Bold 1/3 M)

(ii) Calculation of cost per policy $= \dfrac{Total\,cost}{No.\,of\,policies} = \dfrac{Rs.\,2,36,03,600}{528}$

= **Rs. 44,703.79** }**{2.5 M}**

(iii) Cost per rupee of insured value $= \dfrac{Total\,cost}{Total\,insured\,value} = \dfrac{Rs.\,2.36\,crore}{Rs.\,1,320\,crore}$

= **Rs. .001787** }**{2.5 M}**

Answer:

(b) (i) Calculation of Factory overhead rate.

If the single brand production was in operation, then

1 unit of Luxury = 3 units of Herbal = 6 units of Beauty. Therefore, the factory overhead ratio in the reverse order would be 5,000:15,000:30,000 or 1:3:6.

The overhead rate will be lowest in case of brand which will be produced in high number. Therefore, in case of Beauty soap brand, the overhead rate will be:

$$= \frac{80,000}{6 \times 6,750 + 3 \times 14,000 + 1 \times 77,500}$$

$$= \frac{80,000}{40,500 + 42,000 + 77,500}$$

$$= \frac{80,000}{1,60,000} = 0.5 \quad \text{\}\{1/2 M\}}$$

So, the overhead rate will be:

Luxury = 0.5 x 6 = **Rs. 3** }**{1/2 M}**

Herbal = 0.5 x 3 = **Rs. 1.5** }**{1/2 M}**

Beauty = 0.5 x 1 = **Rs. 0.5** }**{1/2 M}**

(ii) **Statement of Cost of Mix Soap Pvt. Ltd. for the month of June 2021:**

	Luxury (Rs.)	Herbal (Rs.)	Beauty (Rs.)	Total (Rs.)
Raw material consumed	20,000	47,000	2,40,000	3,07,000
Add: Wages paid	7,500	18,750	1,15,000	1,41,250
Prime cost	**27,500**	**65,750**	**3,55,000**	**4,48,250**
Add: Factory overheads	20,250	21,000	38,750	80,000
	(Rs. 3 x 6,750)	(Rs. 1.5 x 14,000)	(Rs. 0.5 x 77,500)	
Works cost	**47,750**	**86,750**	**3,93,750**	**5,28,250**
Add: General & administration overheads (1:1:1)	16,000	16,000	16,000	48,000
Add: Selling expenses	9,550	17,350	78,750	1,05,650
	(Rs. 47,750 x 0.20)	(Rs .86,750 x 0.20)	(Rs. 3,93,750 x 0.20)	
Cost of sales	**73,300**	**1,20,100**	**4,88,500**	**6,81,900**
Profit (Balancing figure)	95,450	89,900	1,31,500	3,16,850
Sales	**1,68,750**	**2,10,000**	**6,20,000**	**9,98,750**
	(Rs. 25 x 6,750)	(Rs. 15 x 14,000)	(Rs. 8 x 77,500)	

(Each Bold = 1/2 M)

Answer 6:
(a) To exercise control over cost, following steps are followed:

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

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

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

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

{1¼ M Each}

Answer:
(b)

	Bill of Materials		Material Requisition Note
1.	It is the document prepared by the engineering or planning department.	1.	It is prepared by the production or other consuming department.
2.	It is a complete schedule of component parts and raw materials required for a particular job or work order.	2.	It is a document authorizing Store- keeper to issue materials to the consuming department.
3.	It often serves the purpose of a	3.	It cannot replace a bill of

{1 M Each}

	material requisition as it shows the complete schedule of materials required for a particular job i.e. it can replace material requisition.		materials.
4.	It can be used for the purpose of quotations.	4.	It is useful in arriving historical cost only.
5.	It helps in keeping a quantitative control on materials drawn through material requisition.	5.	It shows the material actually drawn from stores.

Answer:

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

(i)   Interest on loans or bank mortgages.

(ii)   Expenses and discounts on issue of shares, debentures etc.

(iii)   Other capital losses i.e., loss by fire not covered by insurance etc. **{Any 5 = 5 Marks} (1 Mark Each}**

(iv)   Losses on the sales of fixed assets and investments.

(v)   Goodwill written off.

(vi)   Preliminary expenses written off.

(vii)   Income tax, donations, subscriptions.

(viii) Expenses of the company's share transfer office, if any.

Answer:

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

* Insurance
* License fees
* Salary to Driver, Conductor, Cleaners, etc. if paid on monthly basis
* Garage costs, including garage rent   **{1/4 M Each}**
* Depreciation (if related to efflux of time)
* Taxes
* Administration expenses, etc.

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

* Petrol and Diesel
* Lubricant oils,
* Wages to Driver, Conductor, Cleaners, etc. if it is related to operations
* Depreciation (if related to activity)   **{1/4 M Each}**
* Any other variable costs identified.

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