PAPER – 3: COST AND MANAGEMENT ACCOUNTING

QUESTIONS

Material Cost

1. Sky & Co., an unregistered supplier under GST, purchased material from Vye Ltd. which is registered under GST. The following information is available for one lot of 5,000 units of material purchased:

Listed price of one lot	₹ 2,50,000
Trade discount	@ 10% on listed price
CGST and SGST (Credit Not available)	12% (6% CGST + 6% SGST)
Cash discount	@ 10%
(Will be given only if payment is made within 30 days.)	
Toll Tax paid	₹ 5,000
Freight and Insurance	₹ 17,000
Demurrage paid to transporter	₹ 5,000
Commission and brokerage on purchases	₹ 10,000
Amount deposited for returnable containers	₹ 30,000
Amount of refund on returning the container	₹ 20,000
Other Expenses	@ 2% of total cost

20% of material shortage is due to normal reasons.

The payment to the supplier was made within 21 days of the purchases.

You are required to CALCULATE cost per unit of material purchased by Sky & Co.

Employee Cost

2. A total of 108 labour hours have been put in a particular job card for repair work engaging a semi-skilled and skilled labour (Mr. Deep and Mr. Sam respectively).

The hours devoted by both the workers individually on daily basis for this particular job are given below:

Monday	Tuesday	Wednesday	Thursday	Friday
10.5	8.0	10.5	9.5	10.5

The skilled labour also worked on Saturday for 10 hours.

Sunday is a weekly holiday and each worker has to work for 8 hours on all week days and 5 hours on Saturdays; the workers are however paid full wages for Saturday (8 hours for 5 hours worked).

Semi-skilled and skilled worker is paid ordinary wage @ ₹ 400 and ₹ 600 respectively per day of 8 hours labour. Further, the workers are also paid dearness allowance @ 20%.

Extra hours worked over and above 8 hours are also paid at ordinary wage rate however, overtime premium of 100% of ordinary wage rate is paid if a worker works for more than 9 hours in a day AND 48 hours in a week.

You are required to COMPUTE the wages payable to Mr. Deep (Semi-skilled) and Mr. Sam (Skilled).

Overheads: Absorption Costing Method

3. Pretz Ltd. is a manufacturing company having two production departments, 'A' & 'B' and two service departments 'X' & 'Y'. The following is the budget for March, 2022:

	Total (₹)	A (₹)	B (₹)	X (₹)	Y (₹)
Direct material		2,00,000	4,00,000	4,00,000	2,00,000
Direct wages		10,00,000	4,00,000	2,00,000	4,00,000
Factory rent	9,00,000				
Power (Machine)	5,10,000				
Depreciation	2,00,000				
General Lighting	3,00,000				
Perquisites	4,00,000				
Additional information:					
Area (Sq. ft.)		500	250	250	500
Capital value of assets (₹ lakhs)		40	80	20	20
Light Points		10	20	10	10
Machine hours		1,000	2,000	1,000	1,000
Horse power of machines		50	40	15	25

A technical assessment of the apportionment of expenses of service departments is as under:

	A	B	X	Y
Service Dept. 'X' (%)	55	25	–	20
Service Dept. 'Y' (%)	60	35	5	–

You are required to:

(a) PREPARE a statement showing distribution of overheads to various departments.

(b) PREPARE a statement showing re-distribution of service departments expenses to production departments using-

(i) Simultaneous equation method

(ii) Trial and error method

(iii) Repeated Distribution Method.

Activity Based Costing

4. PCP Limited belongs to the apparel industry. It specializes in the distribution of fashionable garments. It buys from the industry and resells the same to the following two different supermarkets:

(i) Supermarket A dealing in Adults' garments (Age group 15 - 30)

(ii) Supermarket B dealing in Kids' garments (Age group 5 - 10)

The following data for the month of April in respect of PCP Limited has been reported:

	Supermarket A (₹)	Supermarket B (₹)
Average revenue per delivery	1,69,950	57,750
Average cost of goods sold per delivery	1,65,000	55,000
Number of deliveries	660	1,650

In the past, PCP Limited has used gross margin percentage to evaluate the relative profitability of its supermarket segments.

The company plans to use activity –based costing for analysing the profitability of its supermarket segments.

The April month's operating costs (other than cost of goods sold) of PCP Limited are ₹ 16,55,995. These operating costs are assigned to five activity areas. The cost in each area and Activity analysis including cost driver for the month of April are as follows:

Activity Area	Total costs (₹)	Cost Driver
Store delivery	3,90,500	Store deliveries
Cartons dispatched to store	4,15,250	Cartons dispatched to a store per delivery
Shelf-stocking at customer store	64,845	Hours of shelf-stocking
Line-item ordering	3,45,400	Line-items per purchase order
Customer purchase order processing	4,40,000	Purchase orders by customers

Other data for the month of April include the following:

	Supermarket A	Supermarket B
Total number of store deliveries	1,100	2,805
Average number of cartons shipped per store delivery	250	50
Average number of hours of shelf-stocking per store delivery	6	1.5
Average number of line items per order	14	12
Total number of orders	770	1,980

Required:

(i) COMPUTE gross-margin percentage for each of its supermarket segments and compute PCP Limited's operating income.

(ii) COMPUTE the operating income of each supermarket segments using the activity-based costing information.

Cost Sheet

5. A Ltd. produces a single product X. During the month of December 2021, the company has produced 14,560 tonnes of X. The details for the month of December 2021 are as follows:

(i) Materials consumed ₹ 15,00,000

(ii) Power consumed 13,000 Kwh @ ₹ 7 per Kwh

(iii) Diesels consumed 1,000 litres @ ₹ 93 per litre

(iv) Wages & salary paid – ₹ 64,00,000

(v) Gratuity & leave encashment paid – ₹ 44,20,000

(vi) Hiring charges paid for HEMM- ₹ 13,00,000

(vii) Hiring charges paid for cars used for official purpose – ₹ 80,000

(viii) Reimbursement of diesel cost for the cars – ₹ 20,000

(ix) The hiring of cars attracts GST under RCM @5% without credit.

(x) Maintenance cost paid for weighing bridge (used for weighing of final goods at the time of despatch) – ₹ 7,000

(xi) AMC cost of CCTV installed at weighing bridge (used for weighing of final goods at the time of despatch) and factory premises is ₹ 6,000 and ₹ 18,000 per month respectively.

(xii) TA/ DA and hotel bill paid for sales manager- ₹ 16,000

(xiii) The company has 180 employees works for 26 days in a month.

Required:

(a) PREPARE a Cost sheet for the month of December 2021.

(b) COMPUTE Earnings per manshift (EMS) and Output per manshift (OMS) for the month of December 2021.

Cost Accounting System

6. X Ltd. maintains a non-integrated accounting system for the purpose of management information. The following are the data related with year 2021-22:

Particulars	Amount ('000)
Opening balances:	
- Stores ledger control A/c	48,000
- Work-in-process control A/c	12,000
- Finished goods control A/c	2,58,000
- Building construction A/c	6,000
- Cost ledger control A/c	3,24,000
During the year following transactions took place:	
Materials:	
- Purchased	24,000
- Issued to production	30,000
- Issued to general maintenance	3,600
- Issued to building construction	2,400
Wages:	
- Gross wages paid	90,000
- Indirect wages paid	24,000
- For building construction	6,000
Factory overheads:	
- Actual amount incurred (excluding items shown above)	96,000
- Absorbed in building construction	12,000
- Under-absorbed	4,800
Royalty paid	3,000
Selling distribution and administration overheads	15,000
Sales	2,70,000

At the end of the year, the stock of raw material and work-in-process was ₹3,30,00,000 and ₹15,00,000 respectively. The loss arising in the raw material account is treated as factory overheads. The building under construction was completed during the year. Gross profit margin is 20% on sales.

Required:

PREPARE the relevant control accounts to record the above transactions in the cost ledger of the company.

Batch Costing

7. Brostom Ltd. manufactures 'Stent' that is used by hospitals in angioplasty, a procedure used to open blocked coronary arteries without open-heart surgery. As per the estimates provided by Pharmaceutical Industry Bureau, there will be a demand of 1 crore 'Stents' in the coming year. Brostom Ltd. is having a market share of 10% of the total market demand of the Stents. It is estimated that it costs ₹ 3.00 as inventory holding cost per stent per month and that the set-up cost per run of stent manufacture is ₹ 450.

   Required:

   (i) WHAT would be the optimum run size for Stent manufacture?

   (ii) WHAT is the minimum inventory holding cost?

Job Costing

8. KJ Motors Ltd. is a manufacturer of auto components. Following are the details of expenses for the year 2020-21:

		(₹)
(i)	Opening Stock of Material	15,00,000
(ii)	Closing Stock of Material	20,00,000
(iii)	Purchase of Material	1,80,50,000
(iv)	Direct Labour	90,50,000
(v)	Factory Overhead	30,80,000
(vi)	Administrative Overhead	20,50,400

During the FY 2021-22, the company has received an order from a car manufacturer where it estimates that the cost of material and labour will be ₹ 80,00,000 and ₹ 40,50,000 respectively. The company charges factory overhead as a percentage of direct labour and administrative overheads as a percentage of factory cost based on previous year's cost.

Cost of delivery of the components at customer's premises is estimated at ₹ 9,50,000.

You are required to:

(i) CALCULATE the overhead recovery rates based on actual costs for 2020-21.

(ii) PREPARE a Job cost sheet for the order received and the price to be quoted if the desired profit is 25% on sales.

Process Costing

9. A company produces a component, which passes through two processes. During the month of December, 2021, materials for 40,000 components were put into Process-I of which 30,000 were completed and transferred to Process-II. Those not transferred to Process- II were 100% complete as to materials cost and 50% complete as to labour and overheads cost. The Process- I costs incurred were as follows:

Direct Materials	₹ 6,00,000
Direct Wages	₹ 7,00,000
Factory Overheads	₹ 4,90,000

Of those transferred to Process II, 28,000 units were completed and transferred to finished goods stores. There was a normal loss with no salvage value of 200 units in Process II. There were 1,800 units, remained unfinished in the process with 100% complete as to materials and 25% complete as regard to wages and overheads.

Costs incurred in Process-II are as follows:

Packing Materials	₹ 1,60,000
Direct Wages	₹ 1,42,250
Factory Overheads	₹ 1,70,700

Packing material cost is incurred at the end of the second process as protective packing to the completed units of production.

Required:

(i) PREPARE Statement of Equivalent Production, Cost per unit and Process I A/c.

(ii) PREPARE statement of Equivalent Production, Cost per unit and Process II A/c.

Service Costing

10. Navya LMV Pvt. Ltd, operates cab/ car rental service in Delhi/NCR. It provides its service to the offices of Noida, Gurugram and Faridabad. At present it operates CNG fuelled cars but it is also considering to upgrade these into Electric vehicle (EV). The details related with the owning of CNG & EV propelled cars are as tabulated below:

Particulars	CNG Car	EV Car
Car purchase price (₹)	9,20,000	15,20,000
Govt. subsidy on purchase of car (₹)	--	1,50,000
Life of the car	15 years	10 years

Residual value (₹)	95,000	1,70,000
Mileage	20 km/kg	240 km per charge
Electricity consumption per full charge	--	30 Kwh
CNG cost per Kg (₹)	60	--
Power cost per Kwh (₹)	--	7.60
Annual Maintenance cost (₹)	8,000	5,200
Annual insurance cost (₹)	7,600	14,600
Tyre replacement cost in every 5 -year (₹)	16,000	16,000
Battery replacement cost in every 8- year (₹)	12,000	5,40,000

Apart from the above, the following are the additional information:

Particulars	
Average distance covered by a car in a month	1,500 km
Driver's salary (₹)	20,000 p.m
Garage rent per car (₹)	4,500 p.m
Share of Office & Administration cost per car (₹)	1,500 p.m

Required:

CALCULATE the operating cost of vehicle per month per car for both CNG & EV options.

Standard Costing

11. The standard output of a Product 'D' is 50 units per hour in manufacturing department of a Company employing 100 workers. In a 40 hours week, the department produced 1,920 units of product 'D' despite 5% of the time paid was lost due to an abnormal reason. The hourly wage rates actually paid were ₹ 12.40, ₹ 12.00 and ₹ 11.40 respectively to Group 'A' consisting 10 workers, Group 'B' consisting 30 workers and Group 'C' consisting 60 workers. The standard wage rate per labour is same for all the workers. Labour Efficiency Variance is given ₹ 480 (F).

    You are required to COMPUTE:

    (i) Total Labour Cost Variance.

    (ii) Total Labour Rate Variance.

    (iii) Total Labour Gang Variance.

    (iv) Total Labour Yield Variance, and

    (v) Total Labour Idle Time Variance.

Marginal Costing

12. A Limited manufactures three different products and the following information has been collected from the books of accounts:

	Products		
	S	T	U
Sales Mix	25%	35%	40%
Selling Price	₹ 600	₹800	₹400
Variable Cost	₹ 300	₹400	₹240
Total Fixed Costs			₹ 36,00,000
Total Sales			₹ 1,20,00,000

The company has currently under discussion, a proposal to discontinue the manufacture of Product U and replace it with Product M, when the following results are anticipated:

	Products		
	S	T	M
Sales Mix	40%	35%	25%
Selling Price	₹ 600	₹ 800	₹ 600
Variable Cost	₹ 300	₹ 400	₹ 300
Total Fixed Costs			₹ 36,00,000
Total Sales			₹ 1,28,00,000

Required:

(i) COMPUTE the PV ratio, total contribution, profit and Break-even sales for the existing product mix.

(ii) COMPUTE the PV ratio, total contribution, profit and Break-even sales for the proposed product mix

Budget and Budgetary Control

13. Maharatna Ltd., a public sector undertaking (PSU), produces product A. The company is in process of preparing its revenue budget for the year 2022. The company has the following information which can be useful in preparing the budget:

(i) It has anticipated 12% growth in sales volume from the year 2021 of 4,20,000 tonnes.

(ii) The sales price of ₹23,000 per tonne will be increased by 10% provided Wholesale Price Index (WPI) increases by 5%.

(iii) To produce one tonne of product A, 2.3 tonnes of raw material are required. The raw material cost is ₹4,500 per tonne. The price of raw material will also increase by 10% if WPI increase by 5%.

(iv) The projected increase in WPI for 2022 is 4%

(v) A total of 6,000 employees works for the company. The company works 26 days in a month.

(vi) 85% of employees of the company are permanent and getting salary as per 5- year wage agreement. The earnings per manshift (means an employee cost for a shift of 8 hours) is ₹ 3,000 (excluding terminal benefits). The new wage agreement will be implemented from 1st July 2022 and it is expected that a 15% increase in pay will be given.

(vii) The casual employees are getting a daily wage of ₹ 850. The wages in linked to Consumer Price Index (CPI). The present CPI is 165.17 points and it is expected to be 173.59 points in year 2022.

(viii) Power cost for the year 2021 is ₹ 42,00,000 for 7,00,000 units (1 unit = 1 Kwh). 60% of power is used for production purpose (directly related to production volume) and remaining are for employee quarters and administrative offices.

(ix) During the year 2021, the company has paid ₹ 60,00,000 for safety and maintenance works. The amount will increase in proportion to the volume of production.

(x) During the year 2021, the company has paid ₹ 1,20,000 for the purchase of diesel to be used in car hired for administrative purposes. The cost of diesel will increase by 15% in year 2022.

(xi) During the year 2021, the company has paid ₹ 6,00,000 for car hire charges (excluding fuel cost). In year 2022, the company has decided to reimburse the diesel cost to the car rental company. Doing this will attract 5% GST on Reverse Charge Mechanism (RCM) basis on which the company will not get GST input credit.

(xii) Depreciation on fixed assets for the year 2021 is ₹ 80,40,00,000 and it will be 15% lower in 2022.

Required:

From the above information PREPARE Revenue (Flexible) budget for the year 2022 and also show the budgeted profit/ loss for the year.

Miscellaneous

14. (a) EXPLAIN the difference between controllable & uncontrollable costs?

(b) DEFINE cost plus contract? STATE its advantages.

(c) "Is reconciliation of cost accounts and financial accounts necessary in case of integrated accounting system?" EXPLAIN.

(d) DISCUSS the impact of Information Technology in Cost Accounting.

SUGGESTED HINTS/ANSWERS

1. Calculation of cost per unit:

Particulars			Units	(₹)
Listed Price of Materials			5,000	2,50,000
Less: Trade discount @ 10% on invoice price				(25,000)
				2,25,000
Add: CGST @ 6% of ₹ 2,25,000				13,500
Add: SGST @ 6% of ₹ 2,25,000				13,500
				2,52,000
Add:	Toll Tax			5,000
	Freight and Insurance			17,000
	Commission and Brokerage Paid			10,000
Add:	Cost of returnable containers:			
	Amount deposited	₹ 30,000		
	Less: Amount refunded	₹ 20,000		10,000
				2,94,000
Add: Other Expenses @ 2% of Total Cost $\left(\frac{₹\ 2,94,000}{98} \times 2\right)$				6,000
Total cost of material				3,00,000
Less: Shortage material due to normal reasons @ 20%			1,000	-
Total cost of material of good units			4,000	3,00,000
Cost per unit (₹ 3,00,000/4,000 units)				75

Note:

1. GST is payable on net price i.e., listed price less discount.
2. Cash discount is treated as interest and finance charges; hence it is ignored.
3. Demurrage is penalty imposed by the transporter for delay in uploading or off-loading of materials. It is an abnormal cost and not included.
4. Shortage due to normal reasons should not be deducted from cost to ascertain total cost of good units.

2. Calculation of total normal hours to be paid for Mr. Deep (Semi-skilled):

Day	Normal hours	Extra hours	Overtime hours	Equivalent normal hours for overtime worked	Total normal hours
	A	B	C	D = C×2	E = A+B+D
Monday	8	1	1½	3	12
Tuesday	8	--	--	--	8
Wednesday	8	1	1½	3	12
Thursday	8	1	½	1	10
Friday	8	1	1½	3	12
Saturday	--	--	--	--	--
Total	40	4	5	10	54

Calculation of total normal hours to be paid for Mr. Sam (Skilled):

Day	Normal hours	Extra hours	Overtime hours	Equivalent normal hours for overtime worked	Total normal hours
	A	B	C	D = C×2	E = A+B+D
Monday	8	1	1½	3	12
Tuesday	8	---	---	---	8
Wednesday	8	1	1½	3	12
Thursday	8	1	½	1	10
Friday	8	1	1½	3	12
Saturday	5	3* + 1	1**	2	11
Total	**45**	**8**	**6**	**12**	**65**

*Mr. Sam will be paid for equivalent 8 normal working hours at ordinary wage rate, though 5 hours of working is required on Saturday. Further, extra 9th hour worked will also be paid at ordinary wage rate.

** Overtime of 1 hour worked over and above 9 hours will be paid at overtime rate.

Wages payable:

	Mr. Deep	Mr. Sam
Basic Wages per hour (₹ 400/8, ₹ 600/8) (₹)	50	75
Dearness allowance per hour (@ 20%) (₹)	10	15
Hourly rate (₹)	60	90
Total equivalent normal hours	54	65
Total Wages payable (₹)	**3,240**	**5,850**

3. (a) Primary Distribution of Overheads

	Basis	Total (₹)	A (₹)	B (₹)	X (₹)	Y (₹)
Direct materials	Direct	6,00,000	–	–	4,00,000	2,00,000
Direct wages	Direct	6,00,000	–	–	2,00,000	4,00,000
Factory rent (2:1:1:2)	Area	9,00,000	3,00,000	1,50,000	1,50,000	3,00,000
Power (Machine) (10:16:3:5)*	H.P. × Machine Hrs.	5,10,000	1,50,000	2,40,000	45,000	75,000
Depreciation (2:4:1:1)	Capital value	2,00,000	50,000	1,00,000	25,000	25,000
General Lighting (1:2:1:1)	Light Points	3,00,000	60,000	1,20,000	60,000	60,000
Perquisites (5:2:1:2)	Direct Wages	4,00,000	2,00,000	80,000	40,000	80,000
		35,10,000	**7,60,000**	**6,90,000**	**9,20,000**	**11,40,000**

*{(1000×50) : (2000×40) : (1000×15) : (1000×25)}

(50000 : 80000 : 15000 : 25000)

(10 : 16 : 3 : 5)

(b) (i) Redistribution of Service Department's expenses using 'Simultaneous equation method'

X = 9,20,000 + 0.05 Y

Y = 11,40,000 + 0.20 X

Substituting the value of X,

$Y = 11,40,000 + 0.20 (9,20,000 + 0.05 Y)$

$= 13,24,000 + 0.01 Y$

$Y - 0.01Y = 13,24,000$

$Y = \frac{13,24,000}{0.99}$

$Y = ₹ 13,37,374$

The total expense of **Y is ₹ 13,37,374** and that of **X is ₹ 9,86,869** *i.e.,* ₹ 9,20,000 + (0.05 × ₹ 13,37,374).

Distribution of Service departments' overheads to Production departments

	Production Departments	
	A (₹)	**B (₹)**
Overhead as per primary distribution	7,60,000	6,90,000
Dept- X (55% and 25% of ₹ 9,86,869)	5,42,778	2,46,717
Dept- Y (60% and 35% of ₹ 13,37,374)	8,02,424	4,68,081
	21,05,202	**14,04,798**

(ii) Redistribution of Service Department's expenses using 'Trial and Error Method':

	Service Departments	
	X (₹)	**Y (₹)**
Overheads as per primary distribution	9,20,000	11,40,000
(i) Apportionment of Dept-X expenses to Dept-Y (20% of ₹ 9,20,000)	---	1,84,000
	---	13,24,000
(ii) Apportionment of Dept-Y expenses to Dept-X (5% of ₹ 13,24,000)	66,200	---
(i) Apportionment of Dept-X expenses to Dept-Y (20% of ₹ 66,200)	---	13,240
(ii) Apportionment of Dept-Y expenses to Dept-X (5% of ₹ 13,240)	662	---

(i) Apportionment of Dept-X expenses to Dept-Y (20% of ₹ 662)	7	132
(ii) Apportionment of Dept-Y expenses to Dept-X (5% of ₹ 132)		
Total	**9,86,869**	**13,37,372**

Distribution of Service departments' overheads to Production departments

	Production Departments	
	A (₹)	**B (₹)**
Overhead as per primary distribution	7,60,000	6,90,000
Dept- X (55% and 25% of ₹ 9,86,869)	5,42,778	2,46,717
Dept- Y (60% and 35% of ₹ 13,37,372)	8,02,423	4,68,080
	21,05,201	**14,04,797**

(iii) Redistribution of Service Department's expenses using 'repeated distribution method':

	A (₹)	**B (₹)**	**X (₹)**	**Y (₹)**
Overhead as per primary distribution	7,60,000	6,90,000	9,20,000	11,40,000
Dept. X overhead apportioned in the ratio (55:25:—:20)	5,06,000	2,30,000	(9,20,000)	1,84,000
Dept. Y overhead apportioned in the ratio (60:35:5: —)	7,94,400	4,63,400	66,200	(13,24,000)
Dept. X overhead apportioned in the ratio (55:25:—:20)	36,410	16,550	(66,200)	13,240
Dept. Y overhead apportioned in the ratio (60:35:5: —)	7,944	4,634	662	(13,240)
Dept. X overhead apportioned in the ratio (55:25:—:20)	364	166	(662)	132

Dept. Y overhead apportioned in the ratio (60:35:5: —)	79	46	7	(132)
Dept. X overhead apportioned in the ratio (55:25:—:20)	4	3	(7)	-
	21,05,201	**14,04,799**	–	–

4. (i) PCP Limited's

Statement of operating income and gross margin percentage for each of its supermarket segments

Particulars	Supermarket A	Supermarket B	Total
Revenues: (₹)	11,21,67,000 (660 × ₹ 1,69,950)	9,52,87,500 (1,650 × ₹ 57,750)	20,74,54,500
Less: Cost of goods sold: (₹)	10,89,00,000 (660 × ₹ 1,65,000)	9,07,50,000 (1650 × ₹ 55,000)	19,96,50,000
Gross Margin: (₹)	**32,67,000**	**45,37,500**	**78,04,500**
Less: Other operating costs: (₹)			16,55,995
Operating income: (₹)			**61,48,505**
Gross Margin	**2.91%**	**4.76 %**	**3.76%**
Operating income %			**2.96%**

(ii) Operating Income Statement of each distribution channel in April (Using the Activity based Costing information)

	Supermarket A	Supermarket B
Gross margin (₹) : (A) (Refer to (i) part of the answer)	32,67,000	45,37,500
Operating cost (₹): (B) (Refer to working note)	6,55,600	10,00,395
Operating income (₹): (A–B)	**26,11,400**	**35,37,105**
Operating income (in %) (Operating income/Revenue) ×100	**2.33**	**3.71**

Working note:

Computation of rate per unit of the cost allocation base for each of the five activity areas for the month of April

	(₹)
Store delivery [₹ 3,90,500/ (1,100 + 2,805 store deliveries)]	100 per delivery
Cartons dispatched [₹ 4,15,250/ {(250×1,100) +(50×2,805)} carton dispatches]	1 per carton dispatch
Shelf-stocking at customer store (₹) [₹ 64,845/ {(6×1,100) + (1.5×2,805)} hours]	6 per hour
Line item ordering [₹ 3,45,400/ {(14×770) + (12×1,980)} line items]	10 per line item order
Customer purchase order processing [₹ 4,40,000/ (770 + 1,980 orders)]	160 per order

Computation of operating cost of each distribution channel:

	Supermarket A (₹)	Supermarket B (₹)
Store delivery	1,10,000 (₹ 100 × 1,100 deliveries)	2,80,500 (₹ 100 × 2,805 deliveries)
Cartons dispatched	2,75,000 (₹ 1× 250 cartons × 1,100 deliveries)	1,40,250 (₹ 1 × 50 cartons × 2,805 deliveries)
Shelf stocking	39,600 (₹ 6 × 1,100 deliveries × 6 Av. hrs.)	25,245 (₹ 6 × 2,805 deliveries × 1.5 Av. hrs)
Line item ordering	1,07,800 (₹ 10 × 14 line item x 770 orders)	2,37,600 (₹ 10 × 12 line item x 1,980 orders)
Customer purchase order processing	1,23,200 (₹ 160 × 770 orders)	3,16,800 (₹ 160 × 1,980 orders)
Operating cost	**6,55,600**	**10,00,395**

5. (a) Cost Sheet of A Ltd. for the month of December 2021

Particulars	Amount (₹)	Amount (₹)
Materials consumed		15,00,000
Wages & Salary	64,00,000	
Gratuity & leave encashment	44,20,000	1,08,20,000
Power cost (13,000 kwh × ₹ 7)	91,000	
Diesel cost (1,000 ltr × ₹ 93)	93,000	1,84,000
HEMM hiring charges		13,00,000
Prime Cost		**1,38,04,000**
AMC cost of CCTV installed at factory premises		18,000
Cost of Production/ Cost of Goods Sold		**1,38,22,000**
Hiring charges of cars	80,000	
Reimbursement of diesel cost	20,000	
	1,00,000	
Add: GST @5% on RCM basis	5,000	1,05,000
Maintenance cost for weighing bridge	7,000	
AMC cost of CCTV installed at weigh bridge	6,000	13,000
TA/ DA & hotel bill of sales manager		16,000
Cost of Sales		**1,39,56,000**

(b) Manshift = 180 employees × 26 days = 4,680 manshifts

Computation of earnings per manshift (EMS):

$$EMS = \frac{\text{Total employee benefits paid}}{\text{Manshift}}$$

$$= \frac{₹\ 1,08,20,000}{4,680} = ₹\ 2,312$$

Computation of Output per manshift (OMS):

$$OMS = \frac{\text{Total Output/ Production}}{\text{Manshift}}$$

$$= \frac{14,560\ \text{Tonne}}{4,680} = 3.11\ \text{tonne}$$

6. **Cost Ledger Control Account**

Particulars	(₹ in '000)	Particulars	(₹ in '000)
To Costing P&L A/c	2,70,000	By Balance b/d	3,24,000
To Building Construction A/c	26,400	By Stores Ledger Control A/c	24,000
To Balance c/d	2,89,800	By Wages Control A/c	90,000
		By Factory overhead control A/c	96,000
		By Royalty A/c	3,000
		By Selling, Distribution and Administration overheads	15,000
		By Costing P&L A/c	34,200
	5,86,200		5,86,200

Stores Ledger Control Account

Particulars	(₹ in '000)	Particulars	(₹ in '000)
To Balance b/d	48,000	By WIP control A/c	30,000
To Cost Ledger control A/c	24,000	By Factory overheads control A/c	3,600
		By Building construction A/c	2,400
		By Factory overhead control A/c (loss) (Bal. fig)	3,000
		By Balance c/d	33,000
	72,000		72,000

Work-in-process Control Account

Particulars	(₹ in '000)	Particulars	(₹ in '000)
To Balance b/d	12,000	By Finished goods control A/c	1,99,800
To Stores Ledger control A/c	30,000		
To Wages Control A/c	60,000		
To Factory overhead control A/c	1,09,800		
To Royalty A/c	3,000	By Balance c/d	15,000
	2,14,800		2,14,800

Finished Goods Control Account

Particulars	(₹ in '000)	Particulars	(₹ in '000)
To Balance b/d	2,58,000	By Cost of Goods Sold A/c (Refer working note)	2,16,000
To WIP control A/c	1,99,800	By Balance c/d	2,41,800
	4,57,800		4,57,800

Cost of Sales Account

Particulars	(₹ in '000)	Particulars	(₹ in '000)
To Cost of Goods Sold A/c	2,16,000	By Costing P&L A/c	2,31,000
To Selling, Distribution and Administration A/c	15,000		
	2,31,000		2,31,000

Costing P&L Account

Particulars	(₹ in '000)	Particulars	(₹ in '000)
To Cost of Sales A/c	2,31,000	By Cost Ledger control A/c	2,70,000
To Factory overhead control A/c	4,800		
To Cost Ledger control A/c	34,200		
	2,70,000		2,70,000

Building Construction Account

Particulars	(₹ in '000)	Particulars	(₹ in '000)
To Balance b/d	6,000	By Cost Ledger control A/c	26,400
To Stores Ledger control A/c	2,400		
To Wages Control A/c	6,000		
To Factory overhead control A/c	12,000		
	26,400		26,400

Factory Overhead Control Account

Particulars	(₹ in '000)	Particulars	(₹ in '000)
To Stores Ledger control A/c	3,600	By Building Construction A/c	12,000
To Wages Control A/c	24,000	By WIP Control A/c	1,09,800
To Cost Ledger control A/c	96,000	By Costing P&L A/c	4,800

To Stores Ledger control A/c (loss)	3,000		
	1,26,600		1,26,600

Wages Control Account

Particulars	(₹ in '000)	Particulars	(₹ in '000)
To Cost Ledger control A/c	90,000	By Factory overhead control A/c	24,000
		By Building Construction A/c	6,000
		By WIP Control A/c	60,000
	90,000		90,000

Royalty Account

Particulars	(₹ in '000)	Particulars	(₹ in '000)
To Cost Ledger control A/c	3,000	By WIP Control A/c	3,000
	3,000		3,000

Cost of Goods Sold Account

Particulars	(₹ in '000)	Particulars	(₹ in '000)
To Finished Goods control A/c	2,16,000	By Cost of sales A/c	2,16,000
	2,16,000		2,16,000

Selling, Distribution and Administration Overhead Control Account

Particulars	(₹ in '000)	Particulars	(₹ in '000)
To Cost Ledger control A/c	15,000	By Cost of sales A/c	15,000
	15,000		15,000

Trial Balance

Particulars	Dr.	Cr.
	(₹ in '000)	(₹ in '000)
Stores Ledger Control A/c	33,000	
WIP Control A/c	15,000	
Finished Goods Control A/c	2,41,800	
Cost Ledger Control A/c		2,89,800
	2,89,800	2,89,800

Working Note:

Cost of Goods sold = 2,70,000 × 80/100 = ₹ 2,16,000

7. (i) Computation of Optimum Run size of 'Stents' or Economic Batch Quantity (EBQ)

Economic Batch Quantity (EBQ) = $\sqrt{\frac{2DS}{C}}$

Where, D = Annual demand for the Stents

= 1,00,00,000 × 10% = 10,00,000 units

S = Set- up cost per run

= ₹ 450

C = Carrying cost per unit per annum

= ₹ 3 × 12 = ₹ 36

EBQ = $\sqrt{\frac{2 \times 10,00,000 \times ₹\ 450}{₹\ 36}}$

= 5,000 units of Stents

(ii) Minimum inventory holding cost

Minimum Inventory Cost = Average Inventory × Inventory Carrying Cost per unit per annum

= (5,000 ÷ 2) × ₹ 36

= ₹ 90,000

(iii) Calculation of the extra cost due to manufacturing policy

	When run size is 6,000 units	When run size is 5,000 units i.e. at EBQ
Total set up cost	$=\frac{10,00,000}{6,000}$ × ₹ 450 = ₹ 75,000	$\frac{10,00,000}{5,000}$ × ₹ 450 = ₹ 90,000
Total Carrying cost	½ × 6,000 × ₹ 36 = ₹ 1,08,000	½ × 5,000 × ₹ 36 = ₹ 90,000
Total Cost	**₹ 1,83,000**	**₹ 1,80,000**

Extra cost = ₹ 1,83,000 - ₹ 1,80,000 = **₹ 3,000**

8. (i) Calculation of Overhead Recovery Rate:

$$\text{Factory Overhead Recovery Rate} = \frac{\text{Factory Overhead in 2020-21}}{\text{Direct labour cost in 2020-21}} \times 100$$

$$= \frac{₹\ 30,80,000}{₹ 90,50,000} \times 100 = 34\% \text{ of Direct labour}$$

$$\text{Administrative Overhead Recovery Rate} = \frac{\text{Administrative Overhead in 2020-21}}{\text{Factory cost in 2020-21 (W.N)}} \times 100$$

$$= \frac{₹\ 20,50,400}{₹\ 2,96,80,000} \times 100 = 6.91\% \text{ of Factory Cost}$$

Working Note: Calculation of Factory Cost in 2020-21

Particulars	Amount (₹)
Opening Stock of Material	15,00,000
Add: Purchase of Material	1,80,50,000
Less: Closing Stock of Material	(20,00,000)
Material Consumed	1,75,50,000
Direct Labour	90,50,000
Prime Cost	2,66,00,000
Factory Overhead	30,80,000
Factory Cost	2,96,80,000

(ii) Job Cost Sheet for the order received in 2021-22

Particulars	Amount (₹)
Material	80,00,000
Labour	40,50,000
Factory Overhead (34% of ₹ 40,50,000)	13,77,000
Factory Cost	1,34,27,000
Administrative Overhead (6.91% of ₹ 1,34,27,000)	9,27,806
Cost of delivery	9,50,000
Total Cost	1,53,04,806
Add: Profit @ 25% of Sales or 33.33% of cost	51,01,602
Sales value (Price to be quoted for the order)	2,04,06,408

Hence the price to be quoted is ₹ 2,04,06,408.

9. (i) Process I

Statement of Equivalent Production and Cost

Input (Units)	Particulars	Output Units	Equivalent Production					
			Materials		Labour		Overheads	
			(%)	Units	(%)	Units	(%)	Units
40,000	Completed	30,000	100	30,000	100	30,000	100	30,000
	Closing WIP	10,000	100	10,000	50	5,000	50	5,000
40,000		40,000		40,000		35,000		35,000

Particulars	Materials	Labour	Overhead	Total
Cost incurred (₹)	6,00,000	7,00,000	4,90,000	17,90,000
Equivalent units	40,000	35,000	35,000	
Cost per equivalent unit (₹)	15	20	14	49

Process-I Account

Particulars	Units	(₹)	Particulars	Units	(₹)
To Materials	40,000	6,00,000	By Process-II A/c (30,000 units × ₹49)	30,000	14,70,000
To Labour		7,00,000	By Closing WIP*	10,000	3,20,000
To Overhead		4,90,000			
	40,000	17,90,000		40,000	17,90,000

* (Material 10,000 units × ₹ 15) + (Labour 5,000 units × ₹ 20) + (Overheads 5,000 units × ₹ 14)

= ₹ 1,50,000 + ₹ 1,00,000 + ₹ 70,000 = ₹ 3,20,000

(ii) Process II

Statement of Equivalent Production and Cost

Input (Units)	Particulars	Output Units	Equivalent Production					
			Materials		Labour		Overheads	
			(%)	Units	(%)	Units	(%)	Units
30,000	Completed	28,000	100	28,000	100	28,000	100	28,000
	Normal loss	200		--		--		--
	Closing WIP	1,800	100	1,800	25	450	25	450
30,000		30,000		29,800		28,450		28,450

Particulars	Materials	Labour	Overhead	Total
Process-I Cost	14,70,000	--	--	14,70,000
Cost incurred (₹)	--	1,42,250	1,70,700	3,12,950
Equivalent units	29,800	28,450	28,450	--
Cost per equivalent unit (₹)	49.3289	5.00	6.00	60.3289

Process-II Account

Particulars	Units	(₹)	Particulars	Units	(₹)
To Process-I A/c	30,000	14,70,000	By Normal loss A/c	200	--
To Packing Material	--	1,60,000	By Finished Goods Stock A/c	28,000*	18,49,209
To Direct Wages	--	1,42,250	By Closing WIP	1,800**	93,741
To Factory Overhead	--	1,70,700			
	30,000	19,42,950		30,000	19,42,950

* 28,000 × ₹ 60.3289 = ₹ 16,89,209 + ₹1,60,000 (Packing Material Cost) = ₹ 18,49,209

** 1,800 units × ₹ 49.3289 + 450 units × (₹ 5 + ₹6) = ₹ 93,741

10. Working Notes:

1. Calculation of Depreciation per month:

	Particulars	CNG Car	EV Car
A	Car purchase price (₹)	9,20,000	15,20,000
B	*Less:* Govt. subsidy (₹)	--	(1,50,000)
C	*Less:* Residual value (₹)	(95,000)	(1,70,000)
D	Depreciable value of car (₹) [A-B-C]	8,25,000	12,00,000
E	Life of the car	15 years	10 years
F	Annual depreciation (₹) [D÷E]	55,000	1,20,000
G	**Depreciation per month (₹) [F÷12]**	**4,583.33**	**10,000**

2. Fuel/ Electricity consumption cost per month:

	Particulars	CNG Car	EV Car
A	Average distance covered in a month (KM)	1,500	1,500
B	Mileage (KM)	20	240

C	Qty. of CNG/ Full charge required [A÷B]	75 kg.	6.25
D	Electricity Consumption [C×30kwh]	-	187.5
E	Cost of CNG per kg (₹)	60	-
F	Power cost per Kwh (₹)	-	7.60
G	**CNG Cost per month (₹) [C×E]**	**4,500**	**-**
H	**Power cost per month (₹) [D×F]**	**-**	**1,425**

3. Amortised cost of Tyre replacement:

	Particulars	CNG Car	EV Car
A	Life of vehicle	15 years	10 years
B	Replacement interval	5 years	5 years
C	No. of time replacement required	2 times	1 time
D	Cost of tyres for each replacement (₹)	16,000	16,000
E	Total replacement cost (₹) [C×D]	32,000	16,000
F	Amortised cost per year (₹) [E÷A]	2,133.33	1,600
E	**Cost per month (₹) [F÷12]**	**177.78**	**133.33**

4. Amortised cost of Battery replacement:

	Particulars	CNG Car	EV Car
A	Life of vehicle	15 years	10 years
B	Replacement interval	8 years	8 years
C	No. of time replacement required	1 time	1 time
D	Cost of battery for each replacement (₹)	12,000	5,40,000
E	Total replacement cost (₹) [C×D]	12,000	5,40,000
F	Amortised cost per year (₹) [E÷A]	800	54,000
E	**Cost per month (₹) [F÷12]**	**66.67**	**4,500**

Calculation of Operating cost per month:

	Particulars	CNG Car (₹)	EV Car (₹)
A	**Running cost:**		
	Fuel cost/ Power consumption cost [Refer WN-2]	4,500	1,425

B	**Maintenance cost:**		
	Annual Maintenance cost [Annual cost ÷12]	666.67	433.33
	Annual Insurance cost [Annual cost ÷12]	633.33	1,216.67
	Amortised cost of Tyre replacement [Refer WN-3]	177.78	133.33
	Amortised cost of Battery replacement [Refer WN-4]	66.67	4,500
		1,544.45	6,283.33
C	**Fixed cost:**		
	Depreciation [Refer WN-1]	4,583.33	10,000
	Driver's salary	20,000	20,000
	Garage rent	4,500	4,500
	Share of Office & Administration cost	1,500	1,500
		30,583.33	36,000
D	**Operating cost per month [A+B+C]**	**36,627.78**	**43,708.33**

11. Working Notes:

1. Calculation of Standard Man hours

When 100 workers work for 1 hour, the standard output is 50 units.

Standard man hours per unit $= \frac{100 \text{ hours}}{50 \text{ units}}$ **= 2 hours per unit**

2. Calculation of standard man hours for actual output:

= 1,920units x 2 hours **= 3,840 hours.**

3. Calculation of actual cost

Type of Workers	No of Workers	Actual Hours Paid	Rate (₹)	Amount (₹)	Idle Hours (5% of hours paid)	Actual hours Worked
Group 'A'	10	400	12.40	4,960	20	380
Group 'B'	30	1,200	12	14,400	60	1,140
Group 'C'	60	2,400	11.40	27,360	120	2,280
	100	**4,000**		**46,720**	**200**	**3,800**

4. Calculation of Standard wage Rate:

Labour Efficiency Variance	= 480F
(Standard hours for Actual production – Actual Hours) x SR	= 480F
(3,840 – 3,800) x SR	= 480
Standard Rate (SR)	**= ₹ 12 per hour**

(i) Total Labour Cost Variance

= (Standard hours x Standard Rate) – (Actual Hours x Actual rate)

= (3,840 x 12) – 46,720 **= 640A**

(ii) Total Labour Rate Variance

= (Standard Rate – Actual Rate) x Actual Hours

Group 'A' = (12 - 12.40) 400	=	160A
Group 'B' = (12 - 12) 1,200	=	0
Group 'C' = (12 – 11.40) 2,400	=	1,440F
		1,280F

(iii) Total Labour Gang Variance

= Total Actual Time Worked (hours) × {Average Standard Rate per hour of Standard Gang -Average Standard Rate per hour of Actual Gang@}

@ on the basis of hours worked

$= 3,800 \times \left(12-\frac{3,840\times12}{3,800}\right)$

= 0

[Note: As the number of workers in standard and actual is the same, there is no difference in mix ratio, so labour gang variance will be NIL]

(iv) Total Labour Yield Variance

= Average Standard Rate per hour of Standard Gang × {Total Standard Time (hours) - Total Actual Time worked (hours)}

= 12 x (3,840 – 3,800)

= **480F**

(v) Total Labour idle time variance

= Total Idle hours x standard rate per hour

= 200 hours x 12

= 2,400A

12. (i) Computation of PV ratio, contribution, profit and break-even sales for existing product mix

	Products			Total
	S	T	U	
Selling Price (₹)	600	800	400	
Less: Variable Cost (₹)	300	400	240	
Contribution per unit (₹)	300	400	160	
P/V Ratio (Contribution/Selling price)	50%	50%	40%	
Sales Mix	25%	35%	40%	
Contribution per rupee of sales (P/V Ratio × Sales Mix)	12.5%	17.5%	16%	46%
Present Total Contribution (₹1,20,00,000 × 46%)				₹ 55,20,000
Less: Fixed Costs				₹ 36,00,000
Present Profit				₹ 19,20,000
Present Break Even Sales (₹ 36,00,000/0.46)				₹ 78,26,087

(ii) Computation of PV ratio, contribution, profit and break-even sale for proposed product mix

	Products			
	S	T	M	Total
Selling Price (₹)	600	800	600	
Less: Variable Cost (₹)	300	400	300	
Contribution per unit (₹)	300	400	300	
P/V Ratio (Contribution/Selling price)	50%	50%	50%	
Sales Mix	40%	35%	25%	
Contribution per rupee of sales (P/V Ratio x Sales Mix)	20%	17.5%	12.5%	50%
Proposed Total Contribution (₹ 1,28,00,000 x 50%)				₹ 64,00,000
Less: Fixed Costs				₹ 36,00,000
Proposed Profit				₹ 28,00,000
Proposed Break- Even Sales (₹ 36,00,000/0.50)				₹ 72,00,000

13. Revenue Budget (Flexible Budget) of Maharatna Ltd. for the Year 2022

	Particulars	PY 2021	CY 2022
A	Sales Volume (Tonnes)	4,20,000	4,70,400 [112%×4,20,000]
B	Selling Price per tonne (₹)	23,000	23,000
		(₹ in lakh)	**(₹ in lakh)**
C	**Sales value [A×B]**	**96,600**	**1,08,192**
D	**Raw material Cost:**		
(i)	Qty. of Material [2.3 tonnes × A] (tonnes)	9,66,000	10,81,920
(ii)	Price per tonne (₹)	4,500	4,500
(iii)	**Total raw material cost (₹ in lakh) [(i)×(ii)]**	**43,470**	**48,686.40**
E	**Wages & Salary Cost:**		
(i)	Wages to casual employees (15% × 6,000 = 900 employees)	2,386.80 [900 × 26 × 12 × ₹ 850]	2,508.47 [900 × 26 × 12 × ₹ 893.33]
(ii)	Salary to permanent employees (85% × 6,000 = 5,100 employees)	47,736 [5100 × 26 × 12 × ₹ 3,000]	51,316.20 [(5100 × 26 × 6 × ₹ 3,000) + (5100 × 26 × 6 × ₹ 3,450)]
(iii)	**Total wages & salary [(i)+(ii)]**	**50,122.80**	**53,824.67**
F	**Power cost:**		
(i)	For production (units)	4,20,000 [60% × 7,00,000]	4,70,400 [112% × 4,20,000]
(ii)	For employees & offices (units) [40% × 7,00.000]	2,80,000	2,80,000
(iii)	Total Power consumption (units) [(i)+(ii)]	7,00,000	7,50,400
(iv)	Power rate per unit (₹) [₹42,00,000 ÷ 7,00,000]	6.00	6.00
(v)	Total power cost [(iii)×(iv)]	**42**	**45.024**
G	**Safety and maintenance Cost**	**60**	**67.20 [112% × 60,00,000]**
H	**Diesel cost**	**1.2**	**-**

I	**Car Hire charge:**		
(i)	Car hire charge	6	6
(ii)	Fuel reimbursement cost	-	1.38 [115% × 1.2]
(iii)	GST@5% on RCM basis [5%×(i+ii)]	-	0.369
(iv)	**Total Car hire charge cost [(i)+(ii)+(iii)]**	**6**	**7.749**
J	**Depreciation**	**8,040**	**6,834** **[85% × 8040]**
K	Total Cost [Sum of D to J]	1,01,742	1,09,465.043
L	**Profit/ (Loss) [C-L]**	**(5,142)**	**(1273.043)**

14. (a) **Controllable costs and Uncontrollable costs*:*** Cost that can be controlled, typically by a cost, profit or investment centre manager is called controllable cost. Controllable costs incurred in a particular responsibility centre can be influenced by the action of the executive heading that responsibility centre.

Costs which cannot be influenced by the action of a specified member of an undertaking are known as uncontrollable costs.

(b) **Cost plus contract:** Under cost plus contract, the contract price is ascertained by adding a percentage of profit to the total cost of the work. Such types of contracts are entered into when it is not possible to estimate the contract cost with reasonable accuracy due to unstable condition of material, labour services etc.

Following are the advantages of cost plus contract:

(i) The contractor is assured of a fixed percentage of profit. There is no risk of incurring any loss on the contract.

(ii) It is useful specially when the work to be done is not definitely fixed at the time of making the estimate.

(iii) Contractee can ensure himself about the 'cost of contract' as he is empowered to examine the books and documents of the contractor to ascertain the veracity of the cost of contract.

(c) In integrated accounting system cost and financial accounts are kept in the same set of books. Such a system will have to afford full information required for Costing as well as for Financial Accounts. In other words, information and data should be recorded in such a way so as to enable the firm to ascertain the cost (together with the necessary analysis) of each product, job, process, operation or any other identifiable activity. It also ensures the ascertainment of marginal cost, variances, abnormal losses and gains. In fact all information that management requires from a

system of Costing for doing its work properly is made available. The integrated accounts give full information in such a manner so that the profit and loss account and the balance sheet can be prepared according to the requirements of law and the management maintains full control over the liabilities and assets of its business.

Since, only one set of books are kept for both cost accounting and financial accounting purpose so there is no necessity of reconciliation of cost and financial accounts.

(d) The impact of IT in cost accounting may include the following:

(i) After the introduction of ERPs, different functional activities get integrated and as a consequence a single entry into the accounting system provides custom made reports for every purpose and saves an organisation from preparing different sets of documents. Reconciliation process of results of both cost and financial accounting systems become simpler and less sophisticated.

(ii) A move towards paperless environment can be seen where documents like Bill of Material, Material Requisition Note, Goods Received Note, labour utilisation report etc. are no longer required to be prepared in multiple copies, the related department can get e-copy from the system.

(iii) Information Technology with the help of internet (including intranet and extranet) helps in resource procurement and mobilisation. For example, production department can get materials from the stores without issuing material requisition note physically. Similarly, purchase orders can be initiated to the suppliers with the help of extranet. This enables an entity to shift towards Just-in-Time (JIT) approach of inventory management and production.

(iv) Cost information for a cost centre or cost object is ascertained with accuracy in timely manner. Each cost centre and cost object is codified and all related costs are assigned to the cost object or cost centre. This process automates the cost accumulation and ascertainment process. The cost information can be customised as per the requirement. For example, when an entity manufactures or provide services, it can know information job-wise, batch-wise, process-wise, cost centre wise etc.

(v) Uniformity in preparation of report, budgets and standards can be achieved with the help of IT. ERP software plays an important role in bringing uniformity irrespective of location, currency, language and regulations.

(vi) Cost and revenue variance reports are generated in real time basis which enables the management to take control measures immediately.

(vii) IT enables an entity to monitor and analyse each process of manufacturing or service activity closely to eliminate non-value-added activities.

The above are examples of few areas where Cost Accounting is done with the help of IT.