CA PRANAV POPAT

Case Scenario Based MCQs

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Objective of the Session

- Live Solving of all MCQs
- To see the pattern of case based MCQs
- Guidance on how to approach case based MCQs
- Sources:
  - Case Based MCQs from RTP May 2024
  - Case Based MCQs from MTP May 2024 Series I

RTP May 2024 – Que 1

1. The purchase committee of A Ltd. has been entrusted to review the material procurement policy of the company. The chief marketing manager has appraised the committee that the company at present produces a single product X by using two raw materials A and B in the ratio of 3:2. Material A is perishable in nature and has to be used within 10 days from Goods received note (GRN) date otherwise material becomes obsolete. Material B is durable in nature and can be used even after one year. Material A is purchased from the local market within 1 to 2 days of placing order. Material B, on the other hand, is purchased from neighbouring state and it takes 2 to 4 days to receive the material in the store.

   The purchase price of per kilogram of raw material A and B is ₹30 and ₹44 respectively exclusive of taxes. To place an order, the company has to incur an administrative cost of ₹1,200. Carrying cost for Material A and B is 15% and 5% respectively. At present material A is purchased in a lot of 15,000 kg. to avail 10% discount on market price. GST applicable for both the materials is 18% and the input tax credit is availed.

   The sales department has provided an estimate that the company could sell 30,000 kg. in January 2024 and also projected the same trend for the entire year.

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The ratio of input and output is 5:3. Company works for 25 days in a month and production is carried out evenly.

The following queries/ calculations to be kept ready for purchase committees' reference:

(i) For the month of January 2024, what would be the quantity of the materials to be requisitioned for both material A and B:

(a) 9,000 kg & 6,000 kg respectively

(b) 18,000 kg & 12,000 kg respectively

(c) 27,000 kg & 18,000 kg respectively

(d) 30,000 kg & 20,000 kg respectively.

(ii) The economic order quantity (EOQ) for both the material A & B:

(a) 13,856 kg & 16,181 kg respectively

(b) 16,197 kg & 17,327 kg respectively

(c) 16,181 kg & 17,165 kg respectively

(d) 13,197 kg & 17,165 kg respectively

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(iii) What would the maximum stock level for material A:

(a) 18,200 kg.

(b) 12,000 kg.

(c) 16,000 kg.

(d) 16,200 kg.

(iv) Calculate saving/ loss in purchase of Material A if the purchase order quantity is equal to EOQ.

(a) Profit of Rs. 3,21,201.

(b) Loss of Rs. 3,21,201.

(c) Profit of Rs. 2,52,500.

(d) Loss of Rs. 2,52,500.

(v) What would the minimum stock level for material A:

(a) 1,800 kg.

(b) 1,200 kg.

(c) 600 kg.

(d) 2,400 kg.

RTP May 2024 – Que 1

1. (i) (d) Monthly Production of X = 30,000 kgs.

$$\text{Raw Material Required} = \frac{30,000}{3} \times 5 = 50,000 \text{ kgs.}$$

$$\text{Material A} = \frac{50,000}{5} \times 3 = \mathbf{30,000\ kg.}$$

$$\text{Material B} = \frac{50,000}{5} \times 2 = \mathbf{20,000\ kg.}$$

(ii) (a) Calculation of Economic Order Quantity (EOQ):

$$\text{Material A} = \sqrt{\frac{2 \times \text{Annual consumption} \times \text{Order cost}}{\text{Carrying cost per unit p.a.}}}$$

$$= \sqrt{\frac{2 \times (30,000 \times 12) \times 1,200}{15\% \text{ of } 30}} = \mathbf{13,856\ kg.}$$

$$\text{Material B} = \sqrt{\frac{2 \times (20,000 \times 12) \times 1,200}{5\% \text{ of } 44}} = \mathbf{16,181\ kg.}$$

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(iii) (b) Calculation of Maximum Stock level: Since, the Material A is perishable in nature and it required to be used within 10 days, hence, the Maximum Stock Level shall be lower of two:

(a) Stock equal to 10 days consumption

$$=\frac{30000}{25} \times 10 \text{ days} = 12{,}000 \text{ kg.}$$

(b) Maximum Stock Level for Material A:

Re-order Quantity + Re-order level – (Min consumption* × Min. lead time)

Where, Re-order Quantity = 15,000 kg.

Re-order level = Max. Consumption* × Max. Lead time

= 30,000/25 × 2 days = 2,400 kg.

Maximum stock Level = 15,000 kg. + 2,400 kg. - (30,000/25 × 1 day)

= 17,400 – 1,200 = 16,200 kg.

Stock required for 10 days consumption is lower than the maximum stock level calculated through the formula. Therefore, Maximum Stock Level will be **12,000 kg.**

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(iv) (b) Calculation of Savings/ loss in Material A if purchase quantity equals to EOQ.

	Purchase Quantity = 15,000 kg.	Purchase Quantity = EOQ i.e. 13,856 kg.
Annual consumption	3,60,000 kg. (30,000 × 12 months)	3,60,000 kg. (30,000 × 12 months)
No. of orders [Note- (i)]	30 (3,60,000 ÷ 12,000)	30 (3,60,000 ÷ 12,000)
Ordering Cost (a)	₹36,000 (₹1200 × 30)	₹36,000 (₹1200 × 30)
Carrying Cost (b) [Note- (ii)]	₹30,375 (15% of ₹27 × 7,500)	₹31,176 (15% of ₹30 × 6,928)
Purchase Cost (c) (for good portion)	₹97,20,000 (₹27 × 3,60,000)	₹1,08,00,000 (₹30 × 3,60,000)

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Loss due to obsolescence (d) [Note- (iii)]	₹24,30,000 [₹27 × (30 × 3,000)]	₹16,70,400 [₹30 × (30 × 1,856)]
Total Cost [(a) + (b) + (c) + (d)]	₹ 1,22,16,375	₹ 1,25,37,576

Purchasing of material -A at present policy of 15,000 kg. saves **₹ 3,21,201.**

Notes: (i) Since, material gets obsolete after 10 days, the quantity in excess of 10 days consumption i.e. 12,000 kg. are wasted. Hence, after 12,000 kg. a fresh order needs to be given.

(ii) Carrying cost is incurred on average stock of Materials purchased.

(iii) the excess quantity of material becomes obsolete and loss has to be incurred.

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(v) (c) Minimum Stock Level for Material A

= Re-order level – (Average Consumption Rate x Average Re-order Period)

= 2400 – (1200 x 1.5) = **600 kgs**

Re-order level = Max. Consumption* × Max. Lead time

= 30,000/25 × 2 days = 2,400 kg.

Average Consumption Rate = (30,000/25 + 30,000/25)/2

= 1,200 Kg

Average Re-order Period = (1 + 2)/2 =1.5 Days

Stock required for 10 days consumption is lower than the maximum stock level calculated through the formula. Therefore, Maximum Stock Level will be 12,000 kg.

(*Since, production is processed evenly throughout the month hence material consumption will also be even.)

RTP May 2024 – Que 2

2. The board of the J Ltd. has been appraised by the General Manager (HR) that the employee attrition rate in the company has increased. The following facts has been presented by the GM(HR):

(1) Training period of the new recruits is 50,000 hours. During this period their productivity is 60% of the experienced workers. Time required by an experienced worker is 10 hours per unit.

(2) 20% of the output during training period was defective. Cost of rectification of a defective unit was ₹ 25.

(3) Potential productive hours lost due to delay in recruitment were 1,00,000 hours.

(4) Selling price per unit is ₹ 180 and P/V ratio is 20%.

(5) Settlement cost of the workers leaving the organization was ₹ 1,83,480.

(6) Recruitment cost was ₹ 1,56,340

(7) Training cost was ₹ 1,13,180

You being an associate finance to GM(HR), has been asked the following questions:

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(i) How much quantity of output is lost due to labour turnover?

(a) 10,000 units

(b) 8,000 units

(c) 12,000 units

(d) 12,600 units

(ii) How much loss in the form of contribution, the company incurred due to labour turnover?

(a) ₹ 4,32,000

(b) ₹ 4,20,000

(c) ₹ 4,36,000

(d) ₹ 4,28,000

(iii) What is the cost repairing of defective units?

(a) ₹ 75,000

(b) ₹ 15,000

(c) ₹ 50,000

d) ₹ 25,000

RTP May 2024 – Que 2

(iv) Calculate the profit lost by the company due to increased labour turnover.

(a) ₹ 7,50,000

(b) ₹ 15,00,000

(c) ₹ 5,00,000

(d) ₹ 9,00,000

(v) How much quantity of output is lost due to inexperience of the new worker?

(a) 1,000 units

(b) 2,600 units

(c) 2,000 units

(d) 12,600 units

RTP May 2024 – Que 2

2. (i) (c) Output by experienced workers in 50,000 hours $= \frac{50,000}{10}$

$= 5,000$ units

$\therefore$ Output by new recruits $= 60\%$ of $5,000 = 3,000$ units

Loss of output $= 5,000 - 3,000 = 2,000$ units

Total loss of output = Due to delay recruitment + Due to inexperience

$= 10,000 + 2,000 =$ **12,000 units**

(ii) (a) Contribution per unit $= 20\%$ of ₹ 180 = ₹ 36

Total contribution lost = ₹ 36 × 12,000 units = **₹ 4,32,000**

(iii) (b) Cost of repairing defective units = 3,000 units × 0.2 × ₹ 25

= **₹ 15,000**

RTP May 2024 – Que 2

(iv) (d) Calculation of loss of profit due to labour turnover

	(₹)
Loss of Contribution	4,32,000
Cost of repairing defective units	15,000
Recruitment cost	1,56,340
Training cost	1,13,180
Settlement cost of workers leaving	1,83,480
Profit forgone in 2022-23	9,00,000

(v) (c) Output by experienced workers in 50,000 hours = $\frac{50,000}{10}$

= 5,000 units

∴ Output by new recruits = 60% of 5,000 = 3,000 units

Loss of output = 5,000 – 3,000 = **2,000 units**

RTP May 2024 – Que 3

3. During half year ending inter departmental review meeting of P Ltd., cost variance report was discussed and the performance of the departments were assessed. The following figures were presented.
For a period of first six months of the financial year, following information were extracted from the books:

Actual production overheads	₹ 34,08,000
The above amount is inclusive of the following payments made:	
Paid as per court's order	₹ 4,50,000
Expenses of previous year booked in current year	₹ 1,00,000
Paid to workers for strike period under an award	₹ 4,20,000
Obsolete stores written off	₹ 36,000

Production and sales data for the six months are as under:

Production:	
Finished goods	1,10,000 units
Works-in-progress	
(50% complete in every respect)	80,000 units

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Sale:

Finished goods	90,000 units

Machine worked during the period was 3,000 hours.

At the of preparation of revenue budget, it was estimated that a total of ₹ 50,40,000 would be required for budgeted machine hours of 6,000 as production overheads for the entire year.

During the meeting, a data analytic report revealed that 40% of the over/under-absorption was due to defective production policies and the balance was attributable to increase in costs.

You were also present at the meeting; the chairperson of the meeting has asked you to be ready with the followings for the performance appraisal of the departmental heads:

(i) How much was the budgeted machine hour rate used to recover overhead?

(a) ₹ 760

(b) ₹ 820

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(c) ₹ 780

(d) ₹ 840

(ii) How much amount of production overhead has been recovered (absorbed) upto the end of half year end?

(a) ₹ 25,20,000

(b) ₹ 34,08,000

(c) ₹ 24,00,000

(d) ₹ 24,60,000

(iii) What is the amount of overhead under/ over absorbed?

(a) 1,18,000 over-absorbed

(b) 1,18,000 under- absorbed

(c) 18,000 over-absorbed

(d) 18,000 under-absorbed

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(iv) What is the supplementary rate for apportionment of over/under absorbed overheads over WIP, Finished goods and Cost of sales?

(a) ₹ 0.315 per unit

(b) ₹ 0.472 per unit

(c) ₹ 0.787 per unit

(d) ₹ 1 per unit

(v) What is the amount of over/under absorbed overhead apportioned to Work in Progress?

(a) ₹ 9,440

(b) ₹ 42,480

(c) ₹ 18,880

(d) ₹ 70,800

RTP May 2024 – Que 3

3. (i) (d) Budgeted Machine hour rate (Blanket rate)

$$= \frac{₹\ 50,40,000}{6,000\ \text{hours}} = \textbf{₹ 840 per hour}$$

(ii) (a) ₹ 25,20,000

(iii) (a)

	Amount (₹)	**Amount (₹)**
Total production overheads actually incurred during the period		34,08,000
Less: Amount paid to worker as per court order	4,50,000	
Expenses of previous year booked in the current year	1,00,000	

Wages paid for the strike period under an award	4,20,000	
Obsolete stores written off	36,000	10,06,000
		24,02,000
Less: Production overheads absorbed as per machine hour rate (3,000 hours × ₹ 840*)		25,20,000
Amount of over absorbed production overheads		**1,18,000**

* Budgeted Machine hour rate (Blanket rate) calculated in part (i)

(iv) (b) **Accounting treatment of over absorbed production overheads:** As, 40% of the over absorbed overheads were due to defective production policies, this being abnormal, hence should be credited to Costing Profit and Loss Account.

Amount to be credited to Costing Profit and Loss Account

= ₹ 1,18,000× 40% = ₹ 47,200.

RTP May 2024 – Que 3

Balance of over absorbed production overheads should be distributed over Works in progress, Finished goods and Cost of sales by applying supplementary rate*.

Amount to be distributed = ₹ 1,18,000× 60% = ₹ 70,800

$$\text{Supplementary rate} = \frac{₹\ 70,800}{1,50,000 \text{ units}} = ₹\ \mathbf{0.472 \text{ per unit}}$$

(v) (c) Apportionment of over absorbed production overheads over WIP, Finished goods and Cost of sales:

	Equivalent completed units	**Amount (₹)**
Work-in-Progress (80,000 units × 50% ×0.472)	40,000	**18,880**
Finished goods (20,000 units × 0.472)	20,000	9,440
Cost of sales (90,000 units × 0.472)	90,000	42,480
Total	1,50,000	70,800

MTP May 2024 Series I – Que 1

1. Arnav Ltd. manufactures chemical solutions used in paint and adhesive products. Chemical solutions are produced in different processes. Some of the processes are hazardous in nature which may results in fire accidents.

   At the end of the last month, one fire accident occurred in the factory. The fire destroyed some of the paper files containing records of the process operations for the month.

   You being an associate to the Chief Manager (Finance), are assigned to prepare the process accounts for the month during which the fire occurred. From the documents and files of other sources, following information could be retrieved:

   Opening work-in-process at the beginning of the month was 500 litres, 80% complete for labour and 60% complete for overheads. Opening work-in-process was valued at ₹ 2,78,000.

   Closing work-in-process at the end of the month was 100 litres, 20% complete for labour and 10% complete for overheads.

   Normal loss is 10% of input (fresh) and total losses during the month were 800 litres partly due to the fire damage.

   Output transferred to finished goods was 3,400 litres.

MTP May 2024 Series I – Que 1

Losses have a scrap value of ₹ 20 per litre.

All raw materials are added at the commencement of the process.

The cost per equivalent unit is ₹ 660 for the month made up as follows:

Raw Material ₹ 300 Labour ₹ 200 Overheads ₹ 160

The company uses FIFO method to value work-in-process and finished goods.

The following information are required for managerial decisions:

i. How much quantity of raw material introduced during the month?

   A. 4,300 Litres

   B. 3,500 Litres

   C. 4,200 Litres

   D. 3,800 Litres

ii. The Quantity of normal loss and abnormal loss are:

   A. Normal loss- 380 litres & Abnormal loss- 420 litres

   B. Normal loss- 350 litres & Abnormal loss – 450 litres

   C. Normal loss- 430 litres & Abnormal loss – 370 litres

   D. Normal loss- 420 litres & Abnormal loss – 380 litres.

MTP May 2024 Series I – Que 1

iii. Value of raw material added to the process during the month is:

A. ₹ 10,10,000

B. ₹ 10,33,600

C. ₹ 10,18,400

D. ₹ 10,20,000

iv. Value of labour and overhead in closing Work-in-process are:

A. ₹ 4,000 & ₹ 1,600 respectively

B. ₹ 20,000 & ₹ 16,000 respectively

C. ₹ 16,000 & ₹ 9,000 respectively

D. ₹ 13,200 & ₹ 6,600 respectively

v. Value of output transferred to finished goods is:

A. ₹ 22,57,200

B. ₹ 20,06,400

C. ₹ 22,44,000

D. ₹ 19,27,200

(5 x 2 = 10 Marks)

MTP May 2024 Series I – Que 1

1. i. D

Inflow into process	Litres	Outflow from process	Litres
Opening WIP	500	Transferred to finished goods	3,400
Quantity introduced (Balancing figure)	3,800	Total loss	800
		Closing WIP	100
	4,300		4,300

ii. A

Total loss	800 litres
Normal loss (10% of fresh input i.e. 3,800)	380 litres
Abnormal loss	420 litres

MTP May 2024 Series I – Que 1

iii. B

Calculation of Equivalent production units

Input Details	Units	Output Particulars	Units	Equivalent Production					
				Material		Labour		Overheads	
				%	Units	%	Units	%	Units
Opening WIP	500	From Opening WIP	500	-	-	20	100	40	200
Fresh inputs	3,800	From fresh units	2900	100	2900	100	2900	100	2900
		Normal loss	380	-		-		-	
		Closing WIP	100	100	100	20	20	10	10
		Abnormal loss	420	100	420	100	420	100	420
	4,300		4,300		3,420		3,440		3,530

MTP May 2024 Series I – Que 1

Value of raw materials introduced during the month

	Equivalent units	Cost per EU (₹)	Total cost (₹)
Total value of raw material	3420	300	10,26,000
Add: Scrap value of normal loss	380	20	7,600
Value of raw material introduced			**10,33,600**

iv. A

Value of labour and overhead in closing Work in process

Cost elements	Equivalent units	Cost per EU (₹)	Total cost (₹)
Labour	20	200	**4,000**
Overheads	10	160	**1,600**

v. C

Value of output transferred to finished goods

Output transferred (Units) × Equivalent cost per unit

3,400 Litres × ₹660 = ₹22,44,000

MTP May 2024 Series I – Que 2

2. M Ltd. is producing a single product and may expand into product diversification in next one to two years. M Ltd. is amongst a labour-intensive company where majority of processes are done manually. Employee cost is a major cost element in the total cost of the company. The company conventionally uses performance parameters Earnings per manshift (EMS) to measure cost paid to an employee for a shift of 8 hours, and Output per manshift (OMS) to measure an employee's output in a shift of 8 hours.

   The Chief Manager (Finance) of the company has emailed you few information related to the last month. The email contains the following data related to the last month:

   During the last month, the company has produced 2,34,000 tonnes of output. Expenditures for the last months are:

   (i) Raw materials consumed ₹ 50,00,000

   (ii) Power consumed 13,000 Kwh @ ₹ 8 per Kwh to run the machines for production.

   (iii) Diesels consumed 2,000 litres @ ₹ 93 per litre to run power generator used as alternative or backup for power cuts.

   (iv) Wages & salary paid – ₹ 6,40,00,000

   (v) Gratuity & leave encashment paid – ₹ 64,20,000

   (vi) Hiring charges paid for HEMM- ₹ 30,00,000. HEMM are directly used in production.

MTP May 2024 Series I – Que 2

(vii) Hiring charges paid for cars used for official purpose – ₹ 66,000

(viii) Reimbursement of diesel cost for the cars – ₹ 22,000

(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 dispatch) – ₹ 12,000

(xi) AMC cost of CCTV installed at weighing bridge (used for weighing of final goods at the time of dispatch) and factory premises is ₹ 8,000 and ₹ 18,000 per month respectively.

(xii) TA/ DA and hotel bill paid for sales manager- ₹ 36,000

(xiii) The company has 1,800 employees works for 26 days in a month.

You are asked to calculate the followings:

i. What is the amount of prime cost incurred during the last month:

A. ₹ 7,54,20,000

B. ₹ 7,57,10,000

C. ₹ 7,56,06,000

D. ₹ 7,87,10,000

MTP May 2024 Series I – Que 2

ii. What is the total and per shift cost of production for last month:

A. ₹ 7,87,10,000 and ₹ 336.37 respectively

B. ₹ 7,87,10,000 and ₹ 1,681.84 respectively

C. ₹ 7,87,28,000 and ₹ 1,682.22 respectively

D. ₹ 7,87,28,000 and ₹ 336.44 respectively

iii. What is the value of administrative cost incurred during the last month:

A. ₹ 92,400

B. ₹ 88,000

C. ₹ 1,48,400

D. ₹ 1,44,000

iv. What is the value of selling and distribution cost and total cost of sales:

A. ₹ 36,000 & ₹ 7,88,76,400 respectively

B. ₹ 56,000 & ₹ 7,88,76,400 respectively

C. ₹ 36,000 & ₹ 7,88,72,000 respectively

D. ₹ 56,000 & ₹ 7,88,72,000 respectively

MTP May 2024 Series I – Que 2

v. What is the value EMS and OMS for the last month:

A. ₹ 1,504.70 & 5 tonnes respectively

B. ₹ 1,367.52 & 5 tonnes respectively

C. ₹ 1,504.70 & 4.37 tonnes respectively

D. ₹ 1,367.52 & 4.37 tonnes respectively **(5 x 2 = 10 Marks)**

2. i. D

ii. C Please refer cost sheet below for cost of production

Cost of production per manshift =

Cost of production ÷ Total manshift

₹ 7,87,28,000 ÷ 46,800 = ₹1,682.22

iii. A Car hire charges including GST @5%, please refer the cost sheet

MTP May 2024 Series I – Que 2

iv. B Selling and distribution cost includes the following:

Maintenance cost for weighing bridge	12,000
AMC cost of CCTV installed at weigh bridge	8,000
TA/ DA & hotel bill of sales manager	36,000
	56,000

For Cost of Sale please refer the cost sheet

v. A Manshift = 1,800 employees × 26 days = 46,800 manshifts

Computation of earnings per manshift (EMS):

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

$$= \frac{₹\ 7,04,20,000}{46,800} = ₹\ 1504.70$$

Computation of Output per manshift (OMS):

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

$$= \frac{2,34,000\ \text{Tonne}}{46,800} = 5\ \text{tonnes}$$

MTP May 2024 Series I – Que 2

Workings

Cost Sheet of M Ltd. for the last month

Particulars	Amount (₹)	Amount (₹)
Materials consumed		50,00,000
Wages & Salary	6,40,00,000	
Gratuity & leave encashment	64,20,000	7,04,20,000
Power cost (13,000 kwh × ₹8)	1,04,000	
Diesel cost (2,000 ltr × ₹93)	1,86,000	2,90,000
HEMM hiring charges		30,00,000
Prime Cost		**7,87,10,000**
AMC cost of CCTV installed at factory premises		18,000
Cost of Production/ Cost of Goods Sold		**7,87,28,000**

MTP May 2024 Series I – Que 2

Hiring charges of cars	66,000	
Reimbursement of diesel cost	22,000	
	88,000	
Add: GST @5% on RCM basis	4,400	92,400
Maintenance cost for weighing bridge	12,000	
AMC cost of CCTV installed at weigh bridge	8,000	20,000
TA/ DA & hotel bill of sales manager		36,000
Cost of Sales		**7,88,76,400**

MTP May 2024 Series I – Que 3

3. The wages budget for the last period was based on a standard repair time of 30 minutes per unit and a standard wage rate of ₹ 50 per hour. The actual data for the last period are as follows:

Number of units = 30,000

Labour rate variance = 7,500 (A)

Labour efficiency variance = Nil

From the information find out the actual rate of wages per unit

A. ₹ 50

B. ₹ 25.50

C. ₹ 50.50

D. ₹ 25.25 **(2 Marks)**

3. D Labour rate variance = Standard time for actual production (SR- AR)

7,500 (A) = (30,000 × 30 minutes/60 minutes) × (50-AR)

AR = (7,50,000 + 7,500)/15,000 = ₹50.50 per hour

Actual wages per unit = 50.50/2 = ₹25.25

MTP May 2024 Series I – Que 4

4. The following extract is taken from the overhead budget of X:

Budgeted activity	50%	75%
Budgeted overhead (₹)	30,00,000	40,00,000

What would be the budgeted overhead for 60% level of activity:

A. ₹ 32,00,0000

B. ₹ 34,00,000

C. ₹ 30,00,000

D. ₹ 36,00,000 **(2 Marks)**

4. B Variable overhead for each % of level of activity

$= \frac{40,00,000 - 30,00,000}{75 - 50} = 40,000$

Fixed cost = 30,00,000 – (40,000 × 50) = 10,00,000

Total overheads for 60% level of activity

= 10,00,000 + (40,000 × 60) = 34,00,000

MTP May 2024 Series I – Que 5

5. Which of the following statements relating to Zero Based Budgeting (ZBB) is false:

   A. It is a method of budgeting whereby all activities are re-evaluated each time a budget is formulated.

   B. ZBB attempts to eliminate unnecessary expenditure being retained in budgets.

   C. It is probably the least time consuming and least costly approach to budgeting.

   D. It requires that budgets are built up from scratch. **(2 Marks)**

MTP May 2024 Series I – Que 6

6. Based on the data below, what is the amount of the overhead under-/over-absorbed?

Budgeted overhead – ₹ 5,25,000

Budgeted machine hours- 17,500

Actual machine hours- 17,040

Actual overheads- ₹ 5,20,000

A. 5,000 under-absorbed

B. 8,800 under-absorbed

C. 8,800 over-absorbed

D. 5,000 over-absorbed **(2 Marks)**

6. B Actual Overhead – (Actual machine hours × machine hour rate)

5,20,000 – (17040 × 30) = 8,800 under absorbed

MTP May 2024 Series I – Que 7

7. A customer has been ordering 80,000 caps during the year. It is estimated that it costs ₹ 1 as inventory holding cost per cap per month and that the set up cost per run of cap manufacture is ₹ 3,500

What is optimum run size of cap manufacture?

A. 12 runs

B. 10 runs

C. 15 runs

D. 7 runs **(2 Marks)**

7. A Optimum batch size or Economic Batch Quantity (EBQ):

$$\text{EBQ} = \sqrt{\frac{2DS}{C}} = \sqrt{\frac{2 \times 80,000 \times 3,500}{12}} = 6,832 \text{ units.}$$

Number of Optimum runs = 80,000 ÷ 6,832 = 11.70 or 12 run

Case Scenario based MCQs – Analysis Sheet

S No.	Source	Que	Chapter	Requirement	Remark
1	RTP May 24	Que 1	Chp 2 Material	Case Scenario MCQ - (i) Material to be requisitioned (ii) EOQ (iii) Max Stock of A (iv) Saving Loss on not using EOQ (v) Min Stock of A	Effect of Perishable nature of Mat A in calculating max stock level of A, ROQ in excess of shelf life consumption waste and cal of loss due to obsolesnce
2	RTP May 24	Que 2	Chp 3 Employee	Case Scenario MCQ - (i) Output Lost, (ii) Contribution Lost, (iii) Cost of repairing (iv) Profit Lost (v) Output lost due to inexperience	unit based calculation of contribution lost
3	RTP May 24	Que 3	Chp 4 Overheads	Case Scenario MCQ - (i) Bud Machine Hr Rate, (ii) Recovered Prod OH, (iii) Amount of under/ over abs (iv) Supplementary Rate (v) OH apportioned to WIP	NA

Case Scenario based MCQs – Analysis Sheet

S No.	Source	Que	Chapter	Requirement	Remark
4	MTP May 23 Series I	Q1	Process Costing	Case Scenario MCQ - (i) RM Qty Introduced (ii) Nloss and Ab Loss Qty (iii) RM Added in the period (iv) Lab and OH in closing WIP (v) Val of output trf	Calculation of fresh units introduced taking total losses,
5	MTP May 23 Series I	Q2	Cost Sheet	(i) Prime Cost (ii) Cost of Production (iii) Admin Cost (iv) S&D (v) EMS OMS	EMS, OMS, GST RCM, Similar to RTP May 2022
6	MTP May 23 Series I	Q3	Standard Costing	Case Scenario based MCQ - Wage Rate Actual per unit	Reverse Calculation using given variances, Actual Wages Rate per hour to per unit
7	MTP May 23 Series I	Q4	Budget	Case Scenario based MCQ -Bud Overhead at 60% Level	Semivariable Cost
8	MTP May 23 Series I	Q5	Budget	Theory MCQ	NA

Case Scenario based MCQs – Analysis Sheet

S No.	Source	Que	Chapter	Requirement	Remark
9	MTP May 23 Series I	Q6	Overheads	Cal of under/ over absorption	NA
10	MTP May 23 Series I	Q7	Unit and Batch	Optimum Runs in year	NA

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