

## 5. COST AND MANAGEMENT ACCOUNTING

DEAR STUDENTS, HERE ARE THE INSTRUCTIONS ON HOW TO UNDERSTAND AND PREPARE QUESTIONS GIVEN IN THIS DOCUMENT:

- 1) IF YOU DON'T HAVE MM MATERIALS THEN YOU CAN FIND SIMILAR PROBLEM IN ICAI SOURCES LIKE STUDY MATERIAL, RTPs, MTPs, PAST EXAM QUESTION PAPERS, ETC. IT IS SUFFICIENT IF YOU PREPARE THE SAME PROBLEMS IN THOSE SOURCES (ALTERNATE 1). OF COURSE, IF YOU FOLLOW THE ALTERNATIVE, THEN YOU CAN'T PREPARE FEW PROBLEMS WHICH ARE GATHERED FROM NON ICAI SOURCES AND YOU CAN FIND THEM IN MASTERMINDS MATERIALS ONLY.
- 2) IF YOU ALREADY 50<sup>TH</sup> OR 51<sup>ST</sup> EDITION OF MM MATERIAL, THEN YOU CAN PREPARE IN MM MATERIAL STATED BELOW. IN SUCH A CASE YOU NEED NOT PREPARE THE SAME PROBLEMS IN ICAI SOURCES (ALTERNATE 2).
- 3) IT IS SUFFICIENT TO PREPARE THE PROBLEMS AS PER ANY ONE OF THE GIVEN 2 ALTERNATIVES. DO NOT BE IN A WRONG NOTION THAT PROBLEM NUMBERS STATED IN ALTERNATE 1 ARE DIFFERENT FROM THAT OF ALTERNATE 2.
- 4) IF WE HAVE GIVEN A PROBLEM NUMBER IN ICAI SOURCE AND THERE IS NO CORRESPONDING PROBLEM IN MM MATERIAL THEN STUDENTS WHO PREPARE IN MM MATERIAL SHALL PREPARE SUCH PROBLEM IN SUCH ICAI SOURCE ONLY.
- 5) CHAPTERS NEWLY ADDED UNDER 2023 SCHEME ARE INDICATED WITH THE WORD "NEWLY ADDED"
- 6) NOTATIONS USED IN THIS DOCUMENT:
  - a) SM: STUDY MATERIAL (WE HAVE EVEN STATED THE EDITION NUMBER OF SM)
  - b) CRD: PROBLEM FOR CLASSROOM DISCUSSION IN MM MATERIAL
  - c) CQ-CRD: CONCEPT QUESTIONS FOR CLASSROOM DISCUSSION
  - d) ASSIGN: ASSIGNMENT PROBLEM IN MM MATERIAL
  - e) CQ-SP: CONCEPT QUESTIONS FOR SELF-PRACTICE
  - f) ACSP: ADDITIONAL CONCEPTS FOR SELF-PRACTICE
  - g) PP: PRACTICAL PROBLEM (AND) PQ: PQ

### PART 1: PROBLEMS

SL. NO.	ALTERNATE 1 - IF YOU DON'T HAVE MM MATERIALS THEN PREPARE IN BELOW STATED ICAI SOURCES			ALTERNATE 2 - IF YOU THE BELOW STATED EDITIONS OF MM MATERIAL THEN PREPARE BELOW STATED PROBLEMS		REMARKS
	ICAI SOURCE	PG.NO.	PR.NO.	50E	51E	
				PR. No.	PR. No.	
COST SHEET						
1.	NEW SM	6.12	ILLUSTRATION 2	CRD 2	CRD 2	
2.	NEW SM	6.23	PP 1	CRD 3	CRD 3	
3.	NEW SM	6.25	PP 4	CRD 7	CRD 6	
4.	N20 – MTP1	5	Q.NO 4(A)	ASSIGN 9	ASSIGN 8	
MATERIAL COST						
1.	N19	1	Q.NO 1A	CRD 2A	CRD 2A	
2.	NON ICAI SOURCES			CRD 2B	CRD 2B	
LESS QUESTIONS   GR.2   FOR SEP 24 / JAN 25 ATTEMPTS						



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	ICAI SOURCE	PG.NO.	PR.NO.	50E	51E	
				PR. No.	PR. No.	
3	NEW SM	2.80	PP 5	ACSP 14	CRD 4	
4	N18	1	Q.NO 1A	CRD 5	CRD 5	
5	D21	1	Q.NO 1A	CRD 10	CRD 10	
6	N23-MTP1	1	Q.NO 1A	CRD 11	CRD 11	
7	NON ICAI SOURCES			CRD 16	CRD 14	
8	N23	1	Q.NO 1A	CRD 7	CRD 7	
9	NEW SM	2.80	PP 4	CRD 6	CRD 6	

**EMPLOYEE COST & DIRECT EXPENSES (DIRECT EXPENSES PART ONLY NEWLY ADDED)**

1.	NEW SM	3.24	ILLUSTRATION 5	CRD 15	CRD 12	
2.	NEW SM	3.16	ILLUSTRATION 2	CRD 16	CRD 13	
3.	M18	6	Q.NO 3A	CRD 17	CRD 14	
4.	NEW SM	3.31	ILLUSTRATION 8	ACSP	CRD 10	
5.	NEW SM	3.60	PP 2	CRD 6	CRD 6	
6.	NON ICAI SOURCES			CRD 1	CRD 1	
7.	N22-MTPI	5	Q.NO 4A	CRD 3	CRD 3	
8.	PART A:	3.34	ILLUSTRATION 10	ASSIGN 8A	ASSIGN 5A	
9.	NON ICAI SOURCES			ASSIGN 8B	ASSIGN 5B	

**OVERHEADS ABSORPTION COSTING**

NEW SM	4.76	PP-12	CRD 2	CRD 2	
N23	8	Q.NO 3A	-	CRD 3	
NEW SM	4.23, 4.26	ILLUSTRATION 4 & 5	ASSIGN 5	CRD 5	
M19-MTPII	1	Q.NO 1B	CRD 10	CRD 9	
M24-RTP	4	Q.NO 3	-	CRD 11	
N22-RTP	53	Q.NO 3	CRD 14	CRD 12	
NEW SM	4.39	ILLUSTRATION 7	CRD 18	CRD 16	
N18-MTPI	3	Q.NO 3B	CRD 17	CRD 17	
M22-MTPII	6	Q.NO 5B	ASSIGN 20	ASSIGN 15	

**STANDARD COSTING**

NEW SM	13.47	ILLUSTRATION 13	CRD 14	CRD 12	
JAN21	7	Q.NO 3B	CRD 18	CRD 15	
M23-RTP	8	Q.NO 12	CRD 13	CRD 11	

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	ICAI SOURCE	PG NO.	PR. NO.	50E	51E	
				PR. No.	PR. No.	
4	NEW SM	13.29	ILLUSTRATION 6	ASSIGN 12	CRD 10	
5	NEW SM	13.33	ILLUSTRATION 8	CRD 10	CRD 8	
6	NEW SM	13.59	PP 5	ASSIGN 8	CRD 7	
7	NEW SM	13.58	PP 3	CRD 5	CRD 4	
8	NEW SM	13.19	ILLUSTRATION 3	ASSIGN 2	ASSIGN 1	
9	NEW SM	13.64	PP 15	ASSIGN 19	ASSIGN 14	
MARGINAL COSTING						
1.	NON ICAI SOURCES			CRD 1	CRD 1	
2.	NON ICAI SOURCES			-	CRD 3	
3.	NEW SM	14.56	PP 16	CRD 16	CRD 4	
4.	M19-MTP1	1	Q.NO 1A	CRD 4	CRD 5	
5.	M23 - MTP2	91	Q.NO 13	CRD 8	CRD 9	
6.	NEW SM	14.37	ILLUSTRATION 11	CRD 18	CRD 14	
7.	NEW SM	14.57	PP 18	CRD 21	CRD 17	
8.	NEW SM	14.39	ILLUSTRATION 12	CRD 25	CRD 21	
9.	NEW SM	14.57	PP 17	CRD 26	CRD 22	
10.	N22-MTP2	1	Q.NO 1A	CRD 3	CRD 6	
11.	NEW SM	14.41	ILLUSTRATION 13	CRD 14	CRD 11	
PROCESS AND OPERATION COSTING						
1.	NEW SM	10.13	ILLUSTRATION 3	CRD 2	CRD 2	
2.	NEW SM	10.33	PQ 1	CRD 6	CRD 5	
3.	N22-MTPII	3	Q.NO 3A	CRD 8	CRD 7	
4.	M19	5	Q.NO 2B	CRD 13	CRD 11	
5.	NEW SM	10.20	ILLUSTRATION 4	ASSIGN 6	ASSIGN 6	
6.	NEW SM	10.35	PQ 4	ASSIGN 11	ASSIGN 10	
UNIT AND BATCH COSTING						
1.	NEW SM	8.6	ILLUSTRATION 2	CRD 1	CRD 1	
2.	NEW SM	8.8	ILLUSTRATION 3	CRD 5	CRD 5	
3.	NEW SM	8.9	ILLUSTRATION 4	CRD 6	CRD 6	
4.	NEW SM	8.13	ILLUSTRATION 7	ASSIGN 4	ASSIGN 3	



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	ICAI SOURCE	PG.NO.	PR.NO.	50E	51E	
				PR. No.	PR. No.	
COST ACCOUNTING SYSTEMS						
1.	NEW SM	7.14	ILLUSTRATION 2	CRD 2	CRD 2	
2.	NEW SM	7.47	PP 2	CRD 3	CRD 3	
3.	NEW SM	7.24	ILLUSTRATION 4	CRD 6	CRD 5	
4.	NEW SM	7.39	ILLUSTRATION 8	CRD 8	CRD 7	
5.	NEW SM	7.36	ILLUSTRATION 7	CRD 10	CRD 9	
6.	M19-MTPII	5	Q.NO 4B	CRD 12	CRD 11	
7.	NEW SM	7.22	ILLUSTRATION 3	ASSIGN 5	ASSIGN 4	
8.	NEW SM	7.28	ILLUSTRATION 5	ASSIGN 7	ASSIGN 5	
JOINT & BY PRODUCTS						
1.	NON ICAI SOURCES			ASSIGN 8	ASSIGN 8	
2.	NEW SM	11.13	ILLUSTRATION 4	ASSIGN 4	ASSIGN 4	
3.	NEW SM	11.24	PQ 2	CRD 5	CRD 5	
4.	M19	2	Q.NO 1C	ACSP 2	CRD 6	
5.	NEW SM	11.5	ILLUSTRATION 1	CRD 3	CRD 1	
JOB COSTING						
1.	M21-RTP	57	Q.NO 7	ASSIGN 1	ASSIGN 1	
2.	NEW SM	9.16	PQ 1	ASSIGN 2	ASSIGN 2	
SERVICE COSTING						
1.	NEW SM	12.62	PQ 2	CRD 2	CRD 2	
2.	M24-MTP1	7	Q.NO 2A	-	CRD 4	
3.	M24 RTP	13	Q.NO 9	CRD 7	CRD 6	
4.	NEW SM	12.57	ILLUSTRATION 15	CRD 11	CRD 9	
5.	NEW SM	12.61	PQ 1	CRD 15	CRD 13	
6.	NEW SM	12.36	ILLUSTRATION 9	CRD 16	CRD 14	
7.	NEW SM	12.26	ILLUSTRATION 7	ASSIGN 10	ASSIGN 6	
8.	NEW SM	12.63	PQ 3	ASSIGN 7	ASSIGN 4	
BUDGET AND BUDGETARY CONTROL						
1.	M21-RTP	61	Q.NO 12	CRD 5	CRD 2	
2.	NEW SM	15.81	PQ 8	CRD 2	CRD 5	
3.	NEW SM	15.78	PQ 5	CRD 9	CRD 7	



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	ICAI SOURCE	PG.NO.	PR.NO.	50E	51E	
				PR. No.	PR. No.	
4	NEW SM	15.26	ILLUSTRATION 3	CRD 10	CRD 8	
5	.	.	IPCC PRACTICE MANUAL	.	CRD 9	
6.	NEW SM	15.77	PQ 4	CRD 12	CRD 10	
7.	NEW SM	15.75	PQ 1	ASSIGN 6	ASSIGN 1	
8.	NEW SM	15.76	PQ 3	ASSIGN 4	ASSIGN 5	
ACTIVITY BASED COSTING						
1.	NEW SM	5.24	ILLUSTRATION 3	CRD 2	CRD 2	
2	NEW SM	5.22	ILLUSTRATION 2	ASSIGN 4	CRD 4	
3.	NEW SM	5.27	ILLUSTRATION 4	CRD 7	CRD 7	
4	N18	6	Q.NO 3B	CRD 5	CRD 5	
5.	NON ICAI SOURCES			CRD 11	CRD 11	
6.	NON ICAI SOURCES			.	CRD 12	
7.	NEW SM	5.34	PQ 1	ASSIGN 3	ASSIGN 2	

## PART 2: THEORY

### CH.1: INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING

- 1) What are the methods of Costing?
  - 2) What are the Objectives of Cost Accounting?
  - 3) Cost Control Vs Cost Reduction.
  - 4) Discuss essential features of a Good Cost Accounting System(or) What are the characteristics good Cost Accounting System.
  - 5) State the method of costing and the suggestive unit of cost for the following industries
  - 6) Cost Accounting Vs Management Accounting.
  - 7) Specify the types of Responsibility centers under the following situations:
    - a) Purchase of bonds, stocks, or real estate property
    - b) Ticket counter in a Railway stations
    - c) Decentralized branches of an organization
    - d) Maharatna Navratna and Miniratna public sector undertaking (PSU) OF Central Govern
    - e) Sales Department of an organization
- Briefly explain the techniques of costing
- Briefly explain about digital costing and benefits of digital costing.
- 8) What is the Impact of IT in Cost Accounting?

**11) State the types of cost in the following cases:**

- a) Interest paid on own capital not involving any cash outflow
- b) Withdrawing money from bank deposit for the purpose of purchasing new machine for expansion purpose
- c) Rent paid for the factory building which is temporarily closed
- d) Cost associated with the acquisition and conversion of material into finished product

**12) Definitions / Meanings?**

**13) Explain Classification of Costs on the Basis of Managerial Decision Making**

- |                        |                       |                        |
|------------------------|-----------------------|------------------------|
| a) Pre-determined cost | f) Opportunity cost   | k) Discretionary costs |
| b) Standard cost       | g) Out of pocket cost | l) Period costs        |
| c) Marginal cost       | h) Shut down costs    | m) Engineered costs    |
| d) Imputed costs       | i) Sunk costs         | n) Explicit costs      |
| e) Product costs       | j) Absolute cost      | o) Implicit costs      |

**CH.2: MATERIAL COST**

**1) State how the following items are treated in arriving at the value of Cost of material purchased**

- a) Detention charges / Fines
- b) Demurrage
- c) Cost of Returnable containers
- d) Central Goods and service Tax (CGST)
- e) Shortage due to abnormal reasons

**2) Write a short note on VED.**

**3) Explain the concept of "ABC Analysis" as a technique of Inventory Controls.**

**4) State how the following items are treated in arriving at the value of Cost of material purchased**

- a) Trade Discount
- b) Quantity Discount
- c) Cash Discount
- d) Subsidy/Grant/Incentives
- e) Road Tax/Toll Tax
- f) Integrated Goods and Service Tax (IGST)
- g) State Goods and Service Tax (SGST)
- h) Basic Custom Duty

**5) State how the following items are treated in arriving at the value of Cost of material purchased.**

- a) Penalty
- b) Insurance Charges
- c) Commission or Brokerage paid.
- d) Freight Inwards
- e) Cost of Containers
- f) Shortage due to Normal reasons





- 6) Difference between Bin Card and Stores Ledger
- 7) Write a short note on FSN inventory?
- 8) Distinguish between Bill of Materials and Material Requisition Note

### **CH.3: EMPLOYEE COST**

- 1) Discuss the objectives of timekeeping and time booking?
- 2) Discuss the two types of cost associated with labour turnover
- 3) Enumerate the remedial steps to be taken to minimize labour turnover?
- 4) Describe briefly, how wages may be calculated under the following systems
  - a) Halsey system
  - b) Rowan system

### **CH.4: OVERHEADS - ABSORPTION COSTING**

- 1) What OS blanket overhead rate? in which situation blanket rate is to be used and why?
- 2) State the basis of apportionment of following overhead costs
- 3) Distinguish between cost allocation and cost absorption
- 4) Explain the treatment of over and under absorption of overheads in cost accounting
- 5) How would you treat the idle capacity costs in cost accounts?

### **CH.5: MARGINAL COSTING**

- 1) Discuss basic assumptions of cost volume profit analysis.
- 2) What are the limitations of marginal costing?
- 3) Difference between Marginal costing and absorption costing.
- 4) Write a short note on Angle of Incidence

### **CH.6: STANDARD COSTING**

- 1) Discuss the types of Standards.
- 2) What are the Advantages of Standard Costing.

### **CH.7: PROCESS COSTING**

- 1) What is inter-process profit? State its advantages and disadvantages.
- 2) How will you treat normal loss, abnormal loss and abnormal gain in process costing?
- 3) "Operation costing is defined as refinement of Process costing." Explain it.

### **CH.8: SERVICE COSTING/OPERATING COSTING**

- 1) What do you understand by build operate transfer (bot) approach in service costing rate computed?
- 2) Mention the cost unit of the following service industries.

### **CH.9: JOB COSTING**

- 1) DISTINGUISH BETWEEN JOB COSTING AND PROCESS COSTING
- 2) Distinguish between job costing & batch costing?

- 1) Prove that Crossing and Hatch is completely opposite for crossing and hatch.
- 2) In Hatch Crossing, both in F<sub>1</sub> generation, Hatch is completely opposite.

- 1) What are the essential pre-requisites of integrated accounting systems?
- 2) What are the advantages of integrated accounting?
- 3) What are the reasons for disagreement of profits as per cost accounts and financial accounts? Discuss?
- 4) Is reconciliation of cost accounts and financial accounts necessary in case of integrated accounting? Justify?

- 1) Distinguish between Joint products and By-products
- 2) How are By-products treated in costing? (Or) Discuss the treatment of by-products cost in cost accounting
- 3) Describe briefly how joint costs up to the point of separation may be apportioned amongst the products under the following methods
  - a) Average unit cost method
  - b) Contribution margin method
  - c) Market value at the point of separation
  - d) Market value after further processing
  - e) Net realizable value method
- 4) Suggest the by products for the following main products?

- ) Describe the steps involved in the budgetary control technique?
- ) State the advantages of zero-based budgeting?
- ) Describe the salient features of budget manual.
- ) Distinguish between Fixed and flexible budget?
- ) Define zero budgeting and mention its various stages
- ) State the limitations of Budgetary control Systems?

- 1. What is Activity based costing?
- 2. What are the Cost Drivers for Different Activity Pools?
- 3. What is Activity based Management? How does ABC help ABM?
- 4. Explain the Usefulness/Suitability of ABC?
- 5. Distinction between Activity Based Costing and Traditional Absorption costing?

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