



The Institute of Chartered Accountants of India

Code: IN4CM412263
Subject: 04 Cost and Management Accounting

Total Marks: 70
Marks Obtained: 63.5

Subject: Costing
Number of Answer Books used: Main + additional sheets
Date Seal: 11 SEP 2025

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412263



ICAI

Paper Code	U	A B C D E F G H I J K L M N O P Q R S T V W X Y Z
	H	A B C D E F G H I J K L M N O P Q R S T U V W X Y Z
	S	A B C D E F G H I J K L M N O P Q R S T U V W X Y Z
	1	A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

MCQ Booklet Serial No.

8636514

Paper No.

4

Level of Exam Intermediate

Foundation 1 Intermediate 2 Final 3

MCQ Answers

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
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fresh page and question number prominently written at the
number should be distinctly written in the margin.
be fully completed in one page or in a consecutive set of pages,
than the space provided for the purpose or writing distinguishing mark,
"786", etc., will tantamount to adoption of "unfair means"
ver book to the invigilator take care to score out (X) blank pages, if any, that you

INSTRUCTIONS TO THE CANDIDATE FOR FILLING THE MCQ ANSWER FIELDS

B. Pencil to Darken the appropriate Circle.

darken the correct MCQ Booklet Serial No. as printed on your question booklet which will be taken as final for evaluation.
any candidate fills in this information wrongly, Institute will not take any responsibility for rectifying the mistake.
ase darken the complete circle.

If you want to change your Answer, erase the darkened circle completely and make a fresh mark.

5. Please do NOT make any stray marks on the OMR cover page.

6. Rough work must NOT be done on the OMR cover page.

7. Mark your answer only in the appropriate space against the number corresponding to the question.

How to mark answers

CORRECT METHOD	WRONG METHOD
(A) ● (C) (D)	✗ ✗ ✗ ✗

Q. No.	To be ticked ☒ by the candidate against the Questions answered (Descriptive Type)	
1	☐	8 ☐
2	☐	9 ☐
3	☐	10 ☐
4	☐	11 ☐
5	☐	12 ☐
6	☐	13 ☐
7	☐	14 ☐
Total		Total



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03

Q.1 (a)

1aStep1

5

	Per unit	4000 units ₹ Total
Direct Material (4000 X 550)	550	22,00,000
Direct wages (4000 X 230)	230	920,000 ☒
Variable overhead (4000 X ¹⁰⁰ 80)	100 80	400,000 320,000
Fixed factory overhead	-	40,000
Total cost		34,80,000 35,60,000
Profit 34,80,000 110		☒
Profit 35,60,000 X 10 89		440,000
Total Sales	1000 ☒	40,00,000 ☒



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04

SP Per desk = $\frac{40,00,000}{4000} = ₹ 1000$ per desk

WN: Direct Material $\frac{15,00,000}{3000} = 500 + 10\%$
 $= 550$

Direct wages $\frac{600,000}{3000} = 200 + 15\%$
 $= 230$

Variable OH = $\frac{\text{change in Factory OH}}{\text{change in units}}$

1a ☒ 5 $= \frac{430,000 - 350,000}{3800 - 3000}$
 $= ₹ 100$ ☒

Fixed OH = ~~400~~ $350,000 (-) (3000 \times 100)$
 $= 50,000 (-) 20\%$
 $= 40,000$ ☒

DO NOT WRITE ANYTHING HERE



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05

Q. 1 (B)

	Ajay	Bijoy
Time allowed	40 h	40 h
Time taken	32 h	30 h
Time saved	8 h	10 h
Wages	32 L	30 L
Bonus	4 L	7.5 L
Total Earning	36 L	37.5 L
Material	M	M
Factory OH @ 360	11,520 (32 x 360)	10,800 (30 x 360)
Factory cost	36L + M + 11,520	37.5L + M + 10,800
	✓	✓
	36L + M + 11,520 = 1,24,800	
	37.5L + M + 10,800 = 1,24,800	
	- 1.5L + 720 = -	✓
	L = $\frac{720}{1.5}$	2480 P.h

1bStep1 ✓ 3



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06



Normal hourly wage Rate = 480 Per hour

$$36(480) + M + 11520 = 124,000$$

$$M = 96,000$$



Material used = 96,000

working

let normal wage Rate be L
let Material used be M

$$\begin{aligned} \text{Wages for Ajay} &= 32 \times L = 32L \\ \text{Bonus} &= \text{Time Saved} \times \text{Time Rate} \times 50\% \\ &= 8 \times L \times 50\% = 4L \end{aligned}$$

1bStep2



2

$$= 36L$$

$$\text{Wages for Bijoy} = 30 \times L = 30L$$



$$\text{Bonus} = \frac{\text{Time Saved} \times \text{Time Rate} \times \text{Time taken}}{\text{Time allowed}}$$

$$= \frac{10 \times L \times 30}{40} = 7.5L$$

$$= 37.5L$$





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07

Barcode

	Ajay	Binoy
Wages	15360	14400
Bonus	1920	3600
Priming	17280	18000
Material	96000	96000
Factory OH	11520	10800
Factory cost	124800	124800

Bonus for Ajay = $8h \times 480 \times 50\%$
 $= 1920 (₹)$

Bonus for Binoy = $10 \times 40 \times 480 \times 50\%$
 $= 3600$

($2 = 3600$)

1b ✓ 5



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08



Q.1 (c)

$$\begin{aligned}\text{Standard Hours} &= \text{Actual output} \times \text{Std Rate} \\ &= 15,560 \times 5 \\ \text{SH} &= 77,800\end{aligned}$$

$$\begin{aligned}\text{Standard Rate for Variable OH} &= \\ (\text{SR}) &= 23 \text{ P.h}\end{aligned}$$

Q.1 P Variable OH ~~Efficiency~~ Expenditure Variance

$$= \text{SO for AH} \times \text{Actual Variable OH}$$

Variable OH Efficiency Variance

$$\begin{aligned}11,400 &= \text{Recovered OH } (-) \text{ SO for AH} \\ &= (\text{SH} \times \text{SR}) (-) (\text{SR} \times \text{AH})\end{aligned}$$

$$11,400 = (77,800 \times 3) (-) (3 \times \text{AH})$$

$$222,000 = -3\text{AH}$$

$$\begin{aligned}\text{Actual hours} &= \frac{222,000}{3}\end{aligned}$$

$$\begin{aligned}(\text{?}) \text{ AH} &= 74000 \text{ hour}\end{aligned}$$





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(ii) Variable ON Expenditure Variance

$(-) 37000 = \text{So far as } (-) \text{ Actual ON}$

$(-) 37000 = (3 \times 74000) (-) \text{ Actual variable ON}$

~~$- 259,000$~~

$37000 + 222,000 = \text{Actual (V) ON}$

☒ $= 259,000$ Actual variable ON

Variable ON Rate $= \frac{\text{Actual ON}}{\text{Actual hours}}$

$= \frac{259,000}{74,000} = 3.5 \text{ per hour}$

$\text{AR} = 3.5 \text{ per hour}$ ☒

(iii) Variable ON cost Variance $=$

Revered ON $(-) \text{ Actual ON}$

$(\text{SR} \times \text{SR}) - (\text{Actual ON})$

$(77,800 \times 3) (-) 259,000$

$= 25,600 (A)$ ☒



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(iv) Fixed ON cost Variance = Revised ON (-) Actual

$$= (SR \times SR) (-) \text{Actual}^{\text{fixed}} \text{ON}$$

$$= (77,800 \times 2) (-) 185,000$$

$$= 155,600 (-) 185,000$$

$$= 29,400 (A)$$

1cStep1 ✓ 4

1c ✓ 4

1 ✓ 14

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Q.5(a)

Serial No.	Material Name	units	% of units	Total cost	% of Total cost	Rank
1	MA	54,105	32.79%	14,855	3.495%	VI
2	MB	32,300	19.58%	12,823	3.02%	VIII
3	MC	28,600	17.33%	13,972	3.29%	VII
4	MD	10250	6.21%	47,685	11.22%	IV
5	ME	23,410	14.19%	39,015	9.18%	V
6	MF	2580	1.56%	108,260	25.47%	I
7	MG	9900	5.39%	89,410	21.04%	III
8	MH	4855	2.94%	98,980	23.29%	II
Total		165,000	100%	425,000	100%	

5aStep1 ✓ 5

% of unit = $\frac{\text{unit of Material}}{\text{Total unit}} \times 100$

% of total cost = $\frac{\text{cost of Material}}{\text{Total cost}} \times 100$

Category	Material
(A) 50,000 & above	MF, MG, MH
(B) 215000 to 250,000	MD, ME
(C) Below 215,000	MA, MB, MC



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Category A item are high value items (50-70%) but constitute less % of no. number (5-10%) of units: they needs to be handled with care.

✓ Hence product MG, MH, MF needs to be handled with care

✓ Category B item are ~~as over~~ moderate value item they cost neither too high neither too low around (20-30%) of total value.

✓ They need less care than Category A item
i.e. MD, ME

5aStep2 ✓ 1.5

Category C item are low value item they need least care among all
i.e. MA, MB, MC

Hence store keeper is wrong in his approach

5a ✓ 6.5



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Q.5(B)

$$(i) \quad EOC = \sqrt{\frac{2AO}{C}}$$

A = Annual Requirement = 90,000 components

O = ordering cost per order = ₹ 1250

C = Carrying cost per unit p.a = ₹ 25 p.unit

$$= \sqrt{\frac{2 \times 90000 \times 1250}{25}}$$

3000 units

5bStep1

3

$$(ii) \quad \text{No. of orders} = \frac{\text{Annual Requirement}}{EOC (\text{order size})}$$

$$= \frac{90,000}{3000}$$

= 30 orders

5b

3



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14

Q.5 (c)

	A/c	Dr/cr.	Formula
under absorption	stock of finished good Account	Cr.	Actual overhead (-) overhead Recoverd / Applied
		X	
Over absorption	stock of Semi finished good	Dr.	overhead Recoverd (-) Actual overhead
		X	
under Absorption	cost of Sales	Cr.	Actual overhead (-) Recovered overhead
		X	X

5c Step 1 X 0

5c X 0

5 ✓ 9.5

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15



Q.4(a)

(i) Qtr. wise Production Budget (units)

Qtr.	I	II	III	IV	Total
Sales	72,000	90,000	98,000	108,000	368,000
20% of sales current	57,600	72,000	79,200	86,400	295,200
20% of next Qtr sales	18,000	19,800	21,600	29,400	88,800
Total	75,600	91,800	100,800	115,800	384,000
closing stock of stock	18,000	19,800	21,600	29,400	
opening stock	14,400	18,000	19,800	21,600	

work

Calculation of Total year Production

Total Sales	=	368,000
(72,000 + 90,000 + 98,000 + 108,000)		
Add closing stock		29,400
less opening stock		(14,400)
Total Production		384,000



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(i) Raw Material consumption Budget

Total Consumption : 768,000
(₹ 384,000 X 2kg)

Add closing stock of RM 12,000

less opening stock of RM (24,000)

Total Purchase 756,000

→ Raw Material consumption Budget

Qrty.	Production	Rate	Consumption	
I	75,600	2	151,200	✓
II	91,800	2	183,600	✓
III	100,800	2	201,600	✓
IV	115,800	2	231,600	✓
			768,000	

4aStep2



2



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17

Total Machine Hours

(ii)	Machine (A) (hrs)	Machine (B) (hrs)
$(384,000 \times 3h)$	768,000	
$(384,000 \times 3h)$		11,52,000
	768,000	11,52,000
Total Number (A) of Maintenance	153.6 times $\left(\frac{768,000}{5000}\right)$	384 times $\left(\frac{11,52,000}{3000}\right)$
Total Maintenance Hours (Total time (A X 100))	15,360 h.	38,400 h.

Alternatively: If we take Maintenance of Machine (A) as 153 times the no. of hours Maintenance hours would be

$= 153 \times 100 h$
 $= 15,300$

4aStep3 ☒ 2

$A = \frac{768,000}{5000} \times 100 = 15,360 h$

4a ☒ 8

$B = \frac{11,52,000}{3000} \times 100 = 38,400 h.$



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Q. 4(B)

Journal entries

Particulars	Dr. ₹	Cr. ₹
(i) Stock ledger control A/c dr. To general general ledger control A/c ☒	10,25,000	855,000 10,25,000
[Being Material purchased on credit)		
(ii) work in progress control A/c dr. ☒ To stock ledger control A/c (Being Material issued to production)	555,000	555,000
(iii) work in progress control A/c dr. To Wages control A/c ☒ (Being wages allocated)	300,000	300,000



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19			
DO NOT WRITE ANYTHING HERE	(iv) Factory overhead control A/c dr. 220,000		
	✓ To costing Profit/Loss A/c 220,000		
(Being factory OH over absorbed)			
4bStep1	✓	5	
DO NOT WRITE ANYTHING HERE	(v) Costing Profit/Loss A/c dr. 140,000		
	✓ To Administration overhead control A/c 140,000		
(Being Admin OH under absorbed)			
4b	✓	5	
4	✓	13	
DO NOT WRITE ANYTHING HERE			



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20

Q.3(A)

Q. Cal. of cost driver Rate

Activity	(A)		(B)		$\left[\frac{A}{B}\right]$
	Total cost	cost driver	No. of units		cost driver Rate
Management of Project	910,000	No. of Projects	40		22,250 per Project
Consulting Service Delivery	420,000	Consulting hours	14000		30 per hour ☒
Client Interaction & Meeting	630,000	No. of client Meeting	90		7000 per Meeting
Administration & support	15,40,000	Software development hours	22,000		70 per hours ☒



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21			
(i) Apportionment of total overhead			
	Technology	Health Care	Education
Management of Project @ 20,250 per project	405,000 (20 × 20,250)	202,500 (10 × 20,250)	202,500 (10 × 20,250)
Consulting service delivery @ 30 ph.	192,000 (6400 × 30)	168,000 (5600 × 30)	60,000 (2000 × 30)
Client interaction & Meeting @ 7000 per Meeting	210,000 (30 × 7000)	140,000 (20 × 7000)	280,000 (40 × 7000)
Admin supported @ 70 per development hour	700,000 (10000 × 70)	490,000 (7000 × 70)	350,000 (5000 × 70)
Total cost	15,07,000	10,00,500	892,500
Per Project cost $\left[\frac{\text{cost}}{\text{No. of Project}} \right]$	75,350 $\left[\frac{15,07,000}{20} \right]$	100,050 $\left[\frac{10,00,500}{10} \right]$	89,250 $\left[\frac{892,500}{10} \right]$



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(ii) Profitability

	Technology	Healthcare	Education
Total fees	18,00,000 (90,000 X 20)	12,00,000 (120,000 X 10)	11,00,000 (110,000 X 10)
Total cost	15,07,000	12,00,500	892,500 900,000
Profit	293,000	199,500	207,500
% of Revenue	16.277%	16.625%	18.87%

Based on % of Revenue Education sector is most profitable having highest Return ~~from~~ i.e. 18.87%.

3aStep2 ✓ 2

3a ✓ 8

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Q. 3 (B)

Contribution per kg Material (₹)

	A	B
Selling Price ^A	1000	1500
Raw Material (p unit)	200	400
Wages	150	100
Direct expenses	200	300
Variable overhead	80	120
Total ^(v) cost (B)	630	920
(A-B)		
Contribution per unit (C)	370	580
⊗ Raw Material per (D) unit (kg)	10 kg	20 kg
Contribution per kg $\left[\frac{C}{D}\right]$	37 per kg ☒	29 per kg ☒
Rank	I ☒	II ☒

3bStep1 ☒ 2



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wn. Raw Material ~~Per kg~~ Per unit
 $A = \frac{2900}{20} = 10 \text{ Kg per unit}$

$$B = \frac{400}{20} = 20 \text{ Kg per unit}$$

conclusion Since Product A yields more ~~per~~ contribution per kg than B, it should be produced to the maximum

→ Production Mix

Product A → $5000 \times 10 \text{ per kg} = 50,000 \text{ kg}$ 5000 units ☒

Product B = $\frac{1,10,000 - 50,000}{20}$

= 3000 units ☒

3bStep2



1

	A	B	units
Production	5000	3000	



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Profitability at optimum Mix

	A	B
Production	5000	3000
Sales 1000 / 1500	50,00,000	45,00,000
(-) Variable cost 630 / 920	31,50,000	27,60,000
Contribution	18,50,000	17,40,000
(-) Fixed cost	250,000	350,000
Profit	16,00,000	13,90,000

3bStep3 ✓ 2

Total = 29,90,000 ✓

3b ✓ 5

3 ✓ 13



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Barcode: 2000021904

$S_1 = 184,000$

$S_1 = 187,755$ ✓

$S_2 = 240,000 + 0.2 (187,755)$

2bStep2 ✓ 3 $= 240,000 + 37,551$

$S_2 = 277,551$ ✓

2b ✓ 4



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2			
	other cost		
	electricity $\left\{ \frac{14,40,000}{12} \right\}$	120,000	
	Telephone $(240,000 / 12)$	20,000	✓
	Maintenance $(60,00,000 / 12)$	500,000	
✓	Depreciation $(19,00,00,000 / 12)$	1,59,00,000	
	Insurance $(15,00,000 / 12)$	125,000	
	Interest expenses incurred for services term loans $(783,48,000 / 12)$	65,29,000	✓
	B	1,72,94,000	
	(A+B) total cost	1,98,00,000	✓
	Profit @ 25% of cost i.e 20% of taking	47,00,000	
	Total taking	2,35,00,000	✓



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Calculation of Equivalent Vehicles Per Month

Vehicles	Per Month Vehicles	Eq. Rate	Equivalent Vehicles
Passenger Vehicle (60 lakh $\times$ 60% $\times$ $\frac{1}{12}$)	300,000	1	300,000
Heavy Commercial Vehicle (60 $\times$ 15% $\times$ $\frac{1}{12}$)	75,000	5	375,000
Buses (60 $\times$ 25% $\times$ $\frac{1}{12}$)	125,000	4	500,000
	500,000		11,75,000

Toll Rate for Equivalent Passenger Vehicle = $\frac{2,35,00,000}{11,75,000}$

= @ 20 per vehicle

Vehicles		Toll Rate
Passenger Vehicle	1	₹ 20 per vehicle
Heavy commercial vehicle	5	₹ 100 per vehicle
Buses	4	₹ 80 per vehicle



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WN

Let Sale be x
~~If we calculate it An~~
 $1,28,00,000 + 0.2x = x$
 $x = 2,35,00,000$
Sales = 2,35,00,000 ✓

2a ✓ 10 ~~we calculate it Annually~~

2 ✓ 14

DO NOT WRITE ANYTHING HERE