### MOCK TEST PAPER – 1
### INTERMEDIATE: GROUP – I
### PAPER – 3: COST AND MANAGEMENT ACCOUNTING
### SUGGESTED ANSWERS/HINTS

**1. (a) (i)** Calculation of Economic Order Quantity (EOQ) $= \sqrt{\dfrac{2AO}{C}}$

$$= \sqrt{\dfrac{2 \times 14{,}400 \text{ units} \times ₹212}{₹450 \times 25\%}} = 233 \text{ units}$$

**(ii)** Evaluation of Profitability of Different Options of Order Quantity

| (A) | When EOQ is ordered | (₹) |
|---|---|---|
| Purchase Cost | (14,400 units x Rs. 450) | 64,80,000 |
| Ordering Cost | [(14,400 units/233 units) x Rs. 212] | 13,102 |
| Carrying Cost | (233 units x 1/2 x 450 x 25%) | 13,106 |
| **Total Cost** | | **65,06,208** |

**(B)** When Quantity Discount of 8% is accepted

| | | (₹) |
|---|---|---|
| Purchase Cost | (14,400 units x Rs. 414) | 59,61,600 |
| Ordering Cost | [(14,400 units/5,000 units) x Rs212] | 611 |
| Carrying Cost | (5,000 units x 1/2 x Rs.414 x 25%) | 2,58,750 |
| **Total Cost** | | **62,20,961** |

Advise – The total cost of inventory is lower if quantity discount is accepted.

The company would save Rs. 2,85,247 (Rs. 65,06,208 - Rs. 62,20,961).

Note: Figures may change slightly because of approximation and decimals)

**(b) (i) Efficiency Ratio** $= \dfrac{\text{Stardard hour (for actual production)}}{\text{Actual hour works}} \times 100$

$$= \dfrac{1{,}20{,}000 \text{ units} \times 12 \text{ hrs}}{12{,}00{,}000 \text{ hrs}} \times 100 = 120\%$$

**(ii) Activity Ratio** $= \dfrac{\text{Stardard Hour (for actual production)}}{\text{Budgeted Hours}} \times 100$

$$= \dfrac{14{,}40{,}000}{1{,}44{,}000 \text{ units} \times 12 \text{ hours}} \times 100 = = 83.34\%$$

**(iii) Capacity Ratio** $= \dfrac{\text{Actual Hours (worked)}}{\text{Budgeted Hours}} \times 100$

$$= \dfrac{12{,}00{,}000 \text{ hrs}}{1{,}44{,}000 \text{ units} \times 12 \text{ hours}} \times 100 = 69.45\%$$

**(c)** **Statement of cost per batch and per order**

No. of batch = 800 units ÷ 40 units = 20 batches

| Particulars | Cost per batch (₹) | Total Cost (₹) |
|---|---|---|
| Direct Material Cost | 600 | 12,000 |
| Direct Wages | 55 | 1100 |
| Oven set-up cost | 175 | 3500 |
| Add: Production Overheads (25% of Direct wages) | 13.75 | 275 |
| Total Production cost | 843.75 | 16875 |
| Add: S&D and Administration overheads | 126.56 | 2531.25 |
| Total Cost | 970.31 | 19406.25 |
| Add: Profit (25% of total cost) | 242.58 | 4851.56 |
| Selling price | 1,212.89 | 24,257.81 |
| Selling Price per unit = 1,212.89÷40[0r 24,257.81÷800] | 30.32 | 30.32 |

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

| | Particulars | Amount (₹) | Amount (₹) |
|---|---|---|---|
| 1 | **Marketing and Sales support:** | | |
| | - Policy development cost | 18,56,250 | |
| | - Cost of marketing | 74,58,000 | |
| | - Sales support expenses | 18,89,250 | 1,12,03,500 |
| 2 | **Operations:** | | |
| | - Policy issuance cost | 16,59,735 | |
| | - Policy servicing cost | 58,09,155 | |
| | - Claims management cost | 2,07,240 | 76,76,130 |
| 3 | **IT Cost** | | 1,22,62,800 |
| 4 | **Support functions** | | |
| | - Postage and logistics | 16,91,250 | |
| | - Facilities cost | 25,14,600 | |
| | - Employees cost | 9,24,000 | |
| | - Office administration cost | 26,73,660 | 78,03,510 |
| | **Total Cost** | | **3,89,45,940** |

(ii) Calculation of cost per policy $\dfrac{\text{Total cost}}{\text{Number of policies}} = \dfrac{3,89,45,940}{844}$

$= ₹\ 46,144.48$

(iii) Cost per rupee of insured value $\dfrac{\text{Total cost}}{\text{Total insured value}} = \dfrac{3,89,45,940}{1,640 \text{ crore}}$

$= ₹\ 0.0024$

**2. (a) (i)** Computation of the value of materials purchased

To find out the value of materials purchased, reverse calculations from the given data can be presented as below:

| Particulars | (₹) |
|---|---|
| **Cost of goods sold** | **75,000** |
| Add: Closing stock of finished goods | 27,550 |
| Less: Opening stock of finished goods | (25,520) |
| **Cost of production** | **77,030** |
| Add: Closing stock of work-in-progress | 21,025 |
| Less: Opening stock of work-in-progress | (15,225) |
| **Works cost** | **82,830** |
| Less: Factory overheads: [₹25,000×100/150] | (16,667) |
| **Prime cost** | **66,163** |
| Less: Direct labour | (25,000) |
| **Raw material consumed** | **41,163** |
| Add: Closing stock of raw materials | 15,370 |
| Raw materials available | 56,533 |
| Less: Opening stock of raw materials | (11,600) |
| **Value of materials purchased** | **44,933** |

**(ii)** Cost statement

| | (₹) |
|---|---|
| Raw material consumed [Refer to statement (i) above] | 41,163 |
| Add: Direct labour cost | 25,000 |
| **Prime cost** | **66,163** |
| Add: Factory overheads | 16,667 |
| **Works cost** | **82,830** |
| Add: Opening work-in-progress | 15,225 |
| Less: Closing work-in-progress | (21,025) |
| **Cost of production** | **77,030** |
| Add: Opening stock of finished goods | 25,520 |
| Less: Closing stock of finished goods | (27,550) |
| **Cost of goods sold** | **75,000** |
| Add: General and administration expenses | 4,375 |
| Add: Selling expenses | 6,125 |
| **Cost of sales** | **85,500** |
| Profit (sales i.e ₹1,05,250 – Cost of sales i.e ₹ 85,500) | 19,750 |
| **Sales** | **1,05,250** |

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**(b)**

| | | |
|---|---|---|
| (i) | Material Cost Variance (A + B) | = {(SQ × SP) – (AQ × AP)} |
| | Or ₹5,500 | = (SQ × SP) – ₹98,000 |
| | Or (SQ × SP) | = ₹1,03,500 |
| | Or (SQA × SPA) + (SQB × SPB) | = ₹ 1,03,500 |
| | Or (1,503.8 kg × SPA) + (1,127.8 kg ×₹50) | = ₹ 1,03,500 |
| | Or (1,503.8 kg × SPA) + ₹56,390 | = ₹1,03,500 |
| | Or (1,503.8 kg × SPA) | = ₹ 47,110 |
| | Or SPA | $= \dfrac{47,110}{1503.80 \text{ kg}}$<br>= ₹31.33 |
| (ii) | Material Price Variance (A + B) | = {(AQ × SP) – (AQ × AP)} |
| | Or ₹300 | = (AQ × SP) – ₹ 98,000 |
| | Or (AQ × SP) | = ₹ 98,300 |
| | Or (AQA × SPA) + (AQB × SPB) | = ₹98,300 |
| | Or (1,500 kg × ₹31.33 (from (i) above)) + AQB x ₹50 | = ₹98,300 |
| | Or ₹ 46,995 + (AQB × ₹ 50) | = ₹ 98,300 |
| | Or (AQB × ₹ 50) | = ₹ 51,305 |
| | Or AQB | = 1,026kg |
| | **Actual Quantity of Material B** | **= 1,026 kg.** |
| (iii) | (AQ × AP) | = ₹98,000 |
| | Or (AQ$_A$ × AP$_A$) + (AQ$_B$ × AP$_B$) | = ₹ 98,000 |
| | Or (1,500 kg × AP$_A$) + (1,026 kg (from (ii) above) × ₹53) | = ₹ 98,000 |
| | Or (1,500 kg × AP$_A$) + ₹ 54,378 | = ₹ 98,000 |
| | Or (1,500 kg AP$_A$) | = ₹ 43,622 |
| | Or AP$_A$ $\quad = \dfrac{43,622}{1,500}$ | = ₹ 29.10 |
| | **Actual Price of Material A** | **= ₹ 29.10** |
| (iv) | Total Actual Quantity of Material-A and Material-B | = AQA + AQB |
| | Or 1,500 kg + 1,026 kg (from (ii) above) | = 2,526 kg |
| | Revised SQ$_A$ = $\dfrac{1320 \text{ kg}}{(1,320 + 990)}$ x 2,526 kg | = 1,443 kg |
| | Revised SQ$_B$ = $\dfrac{990 \text{ kg}}{(1,320 + 990)}$ x 2,526 kg | = 1,083 kg |

(v) Material Mix Variance (A + B) ={(RSQ × SP) – (AQ × SP)}

= {(RSQA × SPA) + (RSQB × SPB) – ₹98,300} = (1,443 kg (from (iv) above) × ₹ 31.33 (from (i) above)) + (1,083 kg (from (iv) above) × ₹50) - ₹98,300

= (₹45,209 + ₹54,150) – ₹98,300 = ₹ 1059 (F)

3. (a) **Expense Budget of SoyaB Ltd. for the period**

| | Per unit (₹) | 50,000 units Amount (₹) | 75,000 units Amount (₹) | 1,00,000 units Amount (₹) |
|---|---|---|---|---|
| Sales (A) | 180 | 90,00,000 | 1,35,00,000 | 1,80,00,000 |
| *Less:* Variable Costs: | | | | |
| - Direct Material | 72 | 36,00,000 | 54,00,000 | 72,00,000 |
| - Direct Wages | 24 | 12,00,000 | 18,00,000 | 24,00,000 |
| - Variable Overheads | 24 | 12,00,000 | 18,00,000 | 24,00,000 |
| - Direct Expenses | 14.4 | 7,20,000 | 10,80,000 | 14,40,000 |
| - Variable factory expenses (70% of Rs 16 p.u.)x 120% | 13.44 | 6,72,000 | 10,08,000 | 13,44,000 |
| - Variable Selling & Dist. exp. (85% of Rs 10 p.u.)x120% | 10.2 | 5,10,000 | 7,65,000 | 10,20,000 |
| Total Variable Cost (B) | 158.04 | 79,02,000 | 1,18,53,000 | 1,58,04,000 |
| Contribution (C) = (A – B) | 21.96 | 10,98,000 | 16,47,000 | 21,96,000 |
| *Less:* Fixed Costs: | | | | |
| - Office and Admin. exp. (100%) | -- | 3,30,000 | 3,30,000 | 3,30,000 |
| - Fixed factory exp. (30%) | -- | 2,64,000 | 2,64,000 | 2,64,000 |
| - Fixed Selling & Dist. exp. (15%) | -- | 82,500 | 82,500 | 82,500 |
| Total Fixed Costs (D) | -- | 6,76,500 | 6,76,500 | 6,76,500 |
| Profit (C – D) | -- | 4,21,500 | 9,70,500 | 15,19,500 |

(b) **Income Statement**

| | LNP Ltd. (₹) | MNT Ltd. (₹) |
|---|---|---|
| Sales (Rs.) | 13,60,000 | 17,00,000 |
| Less: Variable Cost | 10,88,000 | 10,20,000 |
| Contribution | 2,72,000 | 6,80,000 |
| P.V. Ratio $\left(\dfrac{Contribution}{Sales} \times 100\right)$ | 20% | 40% |
| Fixed Cost (₹) | 1,72,000 | 5,80,000 |
| Profit (₹) | 1,00,000 | 1,00,000 |

(i) Break-Even Point $= \dfrac{\text{Fixed Cost}}{\text{P. V. Ratio}}$

LNP Ltd. = $= \dfrac{₹1,72,000}{20\%} = ₹\,8,60,000$

MNT Ltd. = $= \dfrac{₹5,80,000}{40\%} = ₹\,14,50,000$

(ii) Sales value to earn a profit of ₹ 5,00,000

$$Sales = \frac{Fixed\ Cost + Desired\ Profit}{P.\ V.\ Ratio}$$

LNP Ltd. $= \frac{1,72,000 + 5,00,000}{40\%} = ₹\ 33,60,000$

MNT Ltd. $= \frac{5,80,000 + 5,00,000}{40\%} = ₹\ 27,00,000$

(iii) Sales value at which both companies will earn same profit

Let S = Sales value and P = Profit

Sales – Variable cost = Fixed cost + Profit

or, Contribution = Fixed cost + Profit

LNP Ltd.:

20% S = ₹1,72,000 + P

or, 0.20S = ₹ 1,72,000 + P ..............................................(i)

MNT Ltd.

40% S = ₹5,80,000 + P

or, 0.40S = ₹ 5,80,000 + P .......................................(ii)

By solving these equations, we will get the value of 'S' and 'P'

0.20S = 1,72,000 + P

0.40S = 5,80,000 + P

  -            -            -
_____

- 0.20S = -4,08,000

or, S = ₹ 20,40,000

Putting the value of 'S' in equation no. (i) we will get the value of 'P'

0.20 × 20,40,000 = 1,72,000 + P

or, P = ₹2,36,000

Therefore, at Sale value of ₹20,40,000 both the companies will earn same profit of ₹ 2,36,000

4. (a)

**Process X Account**

| Particulars | Tones | Amount (₹) | Particulars | Tones | Amount (₹) |
|---|---|---|---|---|---|
| To Materials | 1,500 | 32,250 | By Weight Loss | 30 | --- |
| To Wages | | 5,000 | By Scrap | 60 | 180 |
| To Direct Expenses | | 3,820 | By Process Y | 846 | 24,534 |
| | | | By Warehouse | 564 | 16,356 |
| **Total** | **1,500** | **41,070** | **Total** | **1,500** | **41,070** |

Cost per Ton = (41,070 - 180)/(1,500-30-60) = ₹ 29 per ton

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**Process Y account**

| Particulars | Tones | Amount (₹) | Particulars | Tones | Amount (₹) |
|---|---|---|---|---|---|
| To Process X | 846 | 24,534 | By Weight Loss | 26 | --- |
| To Materials | 454 | 6,356 | By Scrap | 52 | 260 |
| To Wages | | 3,260 | By Process Z | 611 | 18,332.5 |
| To Direct Expenses | | 2,775 | By Warehouse | 611 | 18,332.5 |
| **Total** | **1300** | **36,925** | **Total** | **1300** | **36,925** |

Cost per Ton = (36,925-260)/(1,300-26-52)= ₹30 per ton

**Process Z Accounts**

| Particulars | Tones | Amount (₹) | Particulars | Tones | Amount (₹) |
|---|---|---|---|---|---|
| To Process Y | 611 | 18332.5 | By Weight Loss | 16 | --- |
| To Materials | 189 | 2,268 | By Scrap | 32 | 224 |
| To Wages | | 2,540 | By Warehouse | 752 | 24,817 |
| To Direct Expenses | | 1,900 | | | |
| **Total** | **800** | **25,041** | **Total** | **800** | **25041** |

Cost per Ton = (25,041-224)/(800-16-32) = ₹ 33 per ton

**(b)  Contract Account**

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|---|---|---|---|---|---|
| To Materials | | 27,78,600 | By material at site | | 40,000 |
| To Direct wages | 14,60,800 | | By Work in progress: | | |
| *Add:* outstanding | 2,21,200 | 16,82,000 | - Work certified | 80,00,000 | |
| To Site expenses | | 10,56,000 | - Work uncertified | 9,60,000 | 89,60,000 |
| To Office expenses | | 6,88,600 | | | |
| To Postage and Stationery | | 32,560 | | | |
| To Rates and taxes | 28,160 | | | | |
| *Less:* Advance | (1,540) | 26,620 | | | |
| To Fuel and power | | 9,30,600 | | | |
| To Depreciation* | | 10,06,600 | | | |
| To Notional profit c/d | | 7,98,420 | | | |
| | | 90,00,000 | | | 90,00,000 |

* Depreciation

(i)   On Machinery = {10% on (₹39,60,000 × 0.85)} = ₹ 3,36,600

(ii)  On Vehicles = 15% on ₹40,00,000 = ₹ 6,00,000

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(iii) On Furniture = 10% on ₹7,00,000 = ₹ <u>70,000</u>

Total = ₹ 9,86,800

**5. (a) (i)** Traditional Absorption Costing

|  | *Zm* | *Rm* | *Pm* | **Total** |
|---|---|---|---|---|
| (a) Quantity (units) | 6,000 | 7,200 | 9,840 | 23,040 |
| (b) Direct labour per unit (₹) | 80 | 150 | 200 | - |
| (c) Direct labour hours (a × b)/₹ 40 | 12,000 | 27,000 | 49,200 | 88,200 |

Overhead rate per direct labour hour = Budgeted overheads / Budgeted labour hours

= (₹2,50,000 + ₹1,50,000 + ₹ 1,00,000 + ₹3,00,000) / 88,200 hours

= ₹8,00,000 / 88,200 hours

= ₹9 per direct labour hour(approx.)

**Calculation of Cost per Unit**

|  | *Zm* | *Rm* | *Pm* |
|---|---|---|---|
| Direct Costs: |  |  |  |
| Direct Material | 450 | 420 | 880 |
| Direct Labour (₹) | 80 | 150 | 200 |
| Production Overhead: (₹) | 18 | 33.75 | 45 |
|  | (80× 9/40) | (150× 9/40) | (200× 9/40) |
| **Total cost per unit (₹)** | **548** | **603.75** | **1125** |

**(ii)** Calculation of Cost-Driver level under Activity Based Costing

|  | *Zm* | *Rm* | *Pm* | **Total** |
|---|---|---|---|---|
| Quantity (units) | 6,000 | 7,200 | 9,840 | - |
| No. of orders (to be rounded off for fraction) | 200 (6,000 / 30) | 240 (7,200 / 30) | 328 (9,840 / 30) | 768 |
| No. of production runs | 120 (6,000 / 50) | 144 (7,200 / 50) | 197 (9,840 / 50) | 461 |
| No. of Inspections (done for each production run) | 120 | 144 | 197 | 461 |
| Maintenance hours | 4,000 | 2,000 | 4,000 | 10,000 |

Calculation of Cost-Driver rate

| Activity | Budgeted Cost (₹) (a) | Cost-driver level (b) | Cost Driver rate (₹) (c) = (a) / (b) |
|---|---|---|---|
| Material procurement | 2,50,000 | 768 | 325.5 |
| Set-up | 1,50,000 | 461 | 325.5 |
| Quality control | 1,00,000 | 461 | 217.0 |
| Maintenance | 3,00,000 | 10,000 | 30.0 |

Calculation of total cost of products using Activity Based Costing

| Particulars | Product | | |
|---|---|---|---|
| | Zm (₹) | Rm (₹) | Pm (₹) |
| Direct Material | 450 | 420 | 880 |
| Direct Labour | 80 | 150 | 200 |
| Prime Cost per unit (A) | 530 | 570 | 1080 |
| Material procurement | 10.85 (325.5×200/6000) | 10.85 (325.5×240/7200) | 10.85 (325.5×328/9840) |
| Set-up | 6.51 (325.5×120/6000) | 6.51 (325.5×144/7200) | 6.51 (325.5×196.8/9840) |
| Quality control | 4.34 (217×120/6000) | 4.34 (217×144/7200) | 4.34 (217×196.8/9840) |
| Maintenance | 20.0 (4000×30/6000) | 8.3 (2000×30/7200) | 12.2 (4000×30/9840) |
| Overhead Cost per unit (B) | 41.7 | 30.0 | 33.9 |
| Total Cost per unit (A + B) | **571.7** | **600.0** | **1113.9** |

**(b)** (i) (a) Statement of Joint Cost allocation of inventories of X, Y and Z

**(By using Net Realisable Value Method)**

| | Products | | | Total |
|---|---|---|---|---|
| | T | U | V | |
| | (₹) | (₹) | (₹) | (₹) |
| Final sales value of total production (Working Note 1) | 1,14,00,000 (1,900 × ₹ 6,000) | 1,40,00,000 (2,800 × ₹5,000) | 2,03,12,500 (3,125 × ₹6,500) | 4,57,12,500 |
| Less: Additional cost | -- | -- | (9,00,000) | (9,00,000) |
| Net realisable value (at split-off point) | 1,14,00,000 | 1,40,00,000 | 1,94,12,500 | 4,48,12,500 |
| Joint cost allocated (Working Note 2) | 15,89,958 | 19,52,580 | 27,07,462 | 62,50,000 |

Cost of goods sold as on March 31, 2022

**(By using Net Realisable Value Method)**

| | Products | | | Total |
|---|---|---|---|---|
| | T | U | V | |
| | (₹) | (₹) | (₹) | (₹) |
| Allocated joint cost | 15,89,958 | 19,52,580 | 27,07,462 | 62,50,000 |
| Additional costs | -- | -- | 9,00,000 | 9,00,000 |
| Cost of goods available for sale (CGAS) | 15,89,958 | 19,52,580 | 36,07,462 | 71,50,000 |
| Less: Cost of ending inventory | 7,53,138 | 2,09,205 | 1,44,298 | 11,06,642 |

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| (Working Note 1) | (CGAS×47.37%) | (CGAS × 10.71%) | (CGAS × 4%) | |
|---|---|---|---|---|
| Cost of goods sold | 8,36,820 | 17,43,375 | 34,63,163 | 60,43,358 |

**Working Note:**

1. Total production of three products for the year 2021-2022

| Products | Quantity sold in tones | Quantity of ending inventory in tons | Total production | Ending inventory percentage (%) |
|---|---|---|---|---|
| **1** | **2** | **3** | **(4) = [(2) + (3)}** | **(5) = (3)/ (4)** |
| T | 1000 | 900 | 1900 | 47.37 |
| U | 2500 | 300 | 2800 | 10.71 |
| V | 3000 | 125 | 3125 | 4.00 |

2. Joint cost apportioned to each product:

$$\frac{\text{Total Joint cost}}{\text{Total Net RealisableValue}} \times \text{Net Realisable Value of each product}$$

Total cost of Product T $= \dfrac{62,50,000}{4,48,12,500} \times 1,14,00,000 = 15,89,958$

Total cost of Product U $= \dfrac{62,50,000}{4,48,12,500} \times 1,40,00,000 = 19,52,580$

Total cost of Product V $= \dfrac{62,50,000}{4,48,12,500} \times 1,94,12,500 = 27,07,462$

6. (a) The advantages of zero-based budgeting are as follows:

   • It provides a systematic approach for the evaluation of different activities and ranks them in order of preference for the allocation of scarce resources.

   • It ensures that the various functions undertaken by the organization are critical for the achievement of its objectives and are being performed in the best possible way.

   • It provides an opportunity to the management to allocate resources for various activities only after having a thorough cost-benefit-analysis. The chances of arbitrary cuts and enhancement are thus avoided.

   • The areas of wasteful expenditure can be easily identified and eliminated.

   • Departmental budgets are closely linked with corporation objectives.

   • The technique can also be used for the introduction and implementation of the system of 'management by objective.' Thus, it cannot only be used for fulfillment of the objectives of traditional budgeting but it can also be used for a variety of other purposes.

   (b) **Difference between Cost Accounting and Management Accounting**

| | Basis | Cost Accounting | Management Accounting |
|---|---|---|---|
| (i) | Nature | It records the quantitative aspect only. | It records both qualitative and quantitative aspect. |
| (ii) | Objective | It records the cost of producing a product and providing a service. | It Provides information to management for planning and co-ordination. |
| (iii) | Area | It only deals with cost Ascertainment. | It is wider in scope as it includes financial accounting, budgeting, taxation, planning etc. |

| | | | |
|---|---|---|---|
| (iv) | Recording of data | It uses both past and present figures. | It is focused with the projection of figures for future. |
| (v) | Development | Its development is related to industrial revolution. | It develops in accordance to the need of modern business world. |
| (vi) | Rules and Regulation | It follows certain principles and procedures for recording costs of different products. | It does not follow any specific rules and regulations. |

**(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)** Cost units are usually the units of physical measurement like number, weight, area, volume, length, time and value.

| Industry or Product | Cost Unit Basis |
|---|---|
| Automobile | Number |
| Steel | Ton |
| Cement | Ton/ per bag etc. |
| Chemicals | Litre, gallon, kilogram, ton etc. |
| Power | Kilo-watt hour (kWh) |
| Transport | Passenger- kilometer |

**(e)**

| Bin Card | Stores Ledger |
|---|---|
| It is maintained by the storekeeper in the store. | It is maintained in cost accounting department. |
| It contains only quantitative details of material received, issued and returned to stores. | It contains information both in quantity and value. |
| Entries are made when transaction takes place. | It is always posted after the transaction. |
| Each transaction is individually posted. | Transactions may be summarized and then posted. |
| Inter-department transfers do not appear in Bin Card. | Material transfers from one job to another job are recorded for costing purposes. |