CA Nitin Guru

Subject- **Cost and Management Accounting- By CA NITIN GURU**

Mock Test – 8 – SOLUTIONS

Standard Costing; Marginal Costing; Budget & Budgetary Control

Time: 1 Hour M.M. – 30 Marks

Instructions-

1. This is a self paced test series, where you can do the test anytime after you complete your chapter and attempt the test and email it to us for checking or self evaluate with help of the solution set provided. For video solutions and test paper to be checked please email us at email id provided below.
2. Answer Sheet is in a single pdf format.
3. First Sheet contains all the information- Name, Registered Email id, Registered Mobile No., Test Number with Subject, website name through which you are watching our class.
4. NO answer sheet will be accepted over a chat box or telegram or any other mode other than email.
5. Test solutions should be emailed to test.canitinguru@gmail.com
6. Please give us at least 10 working days time to check and send back your test copy.
7. Sir, will record test paper discussion video as well, which you can watch and clarify your doubts if you have any. Solution videos will be available on youtube and please join our telegram channel @canitinguru to be updated with any announcement about test discussion.

Solution 1. **[10 Marks]**

(i) Material Usage Variance = Std. Price (Std. Quantity – Actual Quantity)
= Rs 90 (18,000 kg. – 17,800 kg.)
= Rs 18,000 (Favourable)

(ii) Material Price Variance = Actual Quantity (Std. Price – Actual Price)
= 17,800 kg. (Rs 90 – Rs 92) = Rs 35,600 (Adverse)

(iii) Material Cost Variance = Std. Material Cost – Actual Material Cost
= (SQ × SP) – (AQ × AP)
= (18,000 kg. × Rs 90) – (17,800 kg. × Rs 92)
= Rs 16,20,000 – Rs 16,37,600
= Rs 17,600 (Adverse)

(iv) Labour Efficiency Variance = Std. Rate (Std. Hours – Actual Hours)
= Rs 100 (1,800 units × 8 – 14,000 hrs.)
= Rs 100 (14,400 hrs. – 14,000 hrs.)
= Rs 40,000 (Favourable)

(v) Labour Rate Variance = Actual Hours (Std. Rate – Actual Rate)
= 14,000 hrs. (Rs 100 – Rs 104)
= Rs 56,000 (Adverse)

(vi) Labour Cost Variance = Std. Labour Cost – Actual Labour Cost
= (SH × SR) – (AH × AR)
= (14,400 hrs. × Rs 100) – (14,000 hrs. × Rs 104)
= Rs 14,40,000 – Rs 14,56,000
= Rs 16,000 (Adverse)

(vii) Variable Cost Variance = Std. Variable Cost – Actual Variable Cost
= (14,400 hrs. × Rs 15) – Rs 2,17,500
= Rs 1,500 (Adverse)

(viii) Fixed Overhead Cost Variance = Absorbed Fixed Overhead – Actual Fixed Overhead
= (1,800 units × Rs 400) - Rs 7,68,000
= Rs 7,20,000 – Rs 7,68,000 = Rs 48,000 (Adverse)

Solution 2. **[10 Marks]**

Computation of Profit Volume Ratio

(Rs in '000)

Factory	Sales			Profit			P/V Ratio Change in Profit/ Change in Sales
	Actual	Over / (Under) Budget	Budgeted Sales	Actual	Over / (Under) Budget	Budget Profit	
North	1,100	(400)	1,500	135	(180)	315	45%
East	1,450	150	1,300	210	90	120	60%
South	1,200	(200)	1,400	330	(110)	440	55%

(i) Computation of Fixed Costs **(Rs in '000)**

Factory	Actual Sales	P/V Ratio	Contribution	Actual Profit	Fixed Cost
	(1)	(2)	(3) = (1) × (2)	(4)	(5) = (3) - (4)
North	1,100	45%	495	135	360
East	1,450	60%	870	210	660
South	1,200	55%	660	330	330
Total	3,750		2,025	675	1,350

(ii) Computation of Break-Even Sales

Factory	Fixed Cost (a)	P/V Ratio (b)	Break-even Sales (a) / (b)
North	360	45%	800
East	660	60%	1,100
South	330	55%	600
			2,500

Break-even Sales (Company as Whole) = $\frac{\text{Fixed Cost}}{\text{Composite P / V Ratio *}}$

= $\frac{\text{Rs 13,50,000}}{54\%}$

= Rs 25,00,000

Solution 3. **[10 Marks]**

(i) Preparation of Production Budget (in units)

	October	November	December	January
Demand for the month (Nos.)	40,000	35,000	45,000	60,000
Add: 20% of next month's demand	7,000	9,000	12,000	13,000
Less: Opening Stock	(9,500)	(7,000)	(9,000)	(12,000)
Vehicles to be produced	37,500	37,000	48,000	61,000

(ii) Preparation of Purchase budget for Part-X

	October	November	December
Production for the month (Nos.)	37,500	37,000	48,000
Add: 40% of next month's production	14,800 (40% of 37,000)	19,200 (40% of 48,000)	24,400 (40% of 61,000)
	52,300	56,200	72,400
No. of units required for production	2,09,200 (52,300 × 4 units)	2,24,800 (56,200 × 4 units)	2,89,600 (72,400 × 4 units)
Less: Opening Stock	(48,000)	(59,200) (14,800 × 4 units)	(76,800) (19,200 × 4 units)
No. ofunits to be purchased	1,61,200	1,65,600	2,12,800

(iii) Budgeted Gross Profit for the Quarter October to December

	October	November	December	Total
Sales in nos.	40,000	35,000	45,000	1,20,000
Net Selling Price per unit* (Rs)	14,57,070	14,57,070	14,57,070	
Sales Revenue (Rs in lakh)	5,82,828	5,09,974.50	6,55,681.50	17,48,484

Less: Cost of Sales (Rs in lakh) (Sales unit × Cost per unit)	**4,57,120**	**3,99,980**	**5,14,260**	**13,71,360**
Gross Profit (Rs in lakh)	**1,25,708**	**1,09,994.50**	**1,41,421.50**	**3,77,124**

*** Net Selling price unit = Rs 17,14,200 – 15% commission on Rs 17,14,200 = Rs 14,57,070.**