BHAGYA ACHIEVERS TEST SERIES

CA Inter — Cost & Management Accounting

Exam Analysis Sept 2026

Question Part		Chapter / Topic	Sub-topic	Marks	Difficulty
1	(a)	**Marginal Costing**	Limiting Factor / Optimum Product Mix	7	Moderate
	(b)	**Material Cost**	EOQ & Ordering Cost	4	Easy-Moderate
	(c)	**Overheads**	Reciprocal Service Department – Simultaneous Equations	3	Moderate
2	(a)	**Labour Cost**	Wages Budget	7	Moderate-Tricky
	(b)	**Job Costing**	Job Cost Sheet & Overhead Recovery	7	Moderate-Tricky
3	(a)	**Reconciliation**	Cost & Financial Accounts Reconciliation	7	Moderate
	(b)	**Operating Costing**	Transport Costing / Bus Fare	7	Moderate-Tricky
4	(a)	**Labour Cost**	Labour Cost Variances – Mix, Efficiency, Yield & Rate	9	Difficult
	(b)	**Process Costing**	FIFO, Normal/Abnormal Loss & Equivalent Units	5	Difficult
5	(a)	**Cost Sheet**	Cost of Production, COGS, Cost of Sales & Profit	7	Moderate

Question Part		Chapter / Topic	Sub-topic	Marks	Difficulty
	(b)	**Overheads**	Blanket Rate vs Departmental Rate	**7**	**Moderate-Tricky**
6	(a)	**Cost Classification**	Functional Classification of Costs	**5**	**Easy-Moderate**
	(b)	**Joint & By-product**	By-product & NRV Method	**3**	**Moderate**
	(c)	**Cost Sheet / Material**	Treatment of specific cost items OR BOM vs MRN	**6**	**Moderate**

PART I – MCQs

Q1 – Customer Visits Cost

The question asks for the cost of **customer visits attributable to Distributors**.

What is important:
Students have to identify the correct cost driver and allocate the total activity cost based on the number of customer visits.

Difficulty: Moderate

Q2 – Transportation Cost

The question asks for the **transportation cost for Online customers**.

Important concept:
Transportation cost is allocated using **kilometres travelled**, not quantity sold or number of orders.

Difficulty: Moderate.

Q3 – Activity Cost as % of Sales Revenue

This question requires calculation of the total activity cost attributable to **Supermarkets** and then expressing it as a percentage of their **net sales revenue after discount**.

Important areas tested:

- Activity cost allocation
- Net sales after discount
- Percentage calculation

Difficulty: Moderate.

Q4 – Total Customer-Level Operating Cost

The question asks for the total customer-level operating cost incurred for **Distributors**.

Students need to combine the costs of the relevant activities allocated to that customer category.

Difficulty: Moderate.

Q5 – Customer-Level Operating Income

The final question of Case I asks for **customer-level operating income for Online customers**.

This requires understanding:

Net sales revenue − Cost of goods sold − Customer-level operating costs

Difficulty: Moderate.

Q6 – Production Budget

The question asks how many units/containers of KD should be produced.

The calculation involves:

Budgeted production = Sales + Closing Stock − Opening Stock

Difficulty: Easy-Moderate.

Q7 – Material Consumption

The question asks for the quantity of raw material required/consumed as per the material budget.

Important:
Students need to apply the material composition percentages for the respective products.

Difficulty: Moderate.

Q8 – Material Purchase

The question asks for the quantity of raw material K to be purchased.

Key formula:

Purchases = Consumption + Closing Stock − Opening Stock

Difficulty: Moderate.

Q9 – Value of Budgeted Material Purchases

This combines:

- Material requirement
- Opening stock
- Closing stock
- Purchase quantity
- Material price

Difficulty: Moderate.

Q10 – Budgeted Production of WM

This is again based on the production budget.

Difficulty: Easy-Moderate.

Q11 – Process Costing

Topic: FIFO Method – Equivalent Units of Production
Marks: 2

The question provides:

- Opening WIP
- Units introduced
- Units completed
- Closing WIP
- Percentage completion for conversion

It specifically asks for **equivalent units of production for conversion costs using FIFO**.

Difficulty: Moderate-Tricky.

Q12 – Labour Cost

Topic: Halsey Premium Plan
Marks: 2

The question gives:

- Standard time
- Actual time
- Effective hourly rate
- Halsey Premium Plan

Students have to determine the actual time taken.

Difficulty: Easy-Moderate.

Q13 – Material Cost

Topic: FIFO Method of Material Issue Pricing
Marks: 2

Opening stock and subsequent receipts are given at different rates. The question asks for the value of material issued on a particular day under **FIFO**.

Difficulty: Moderate because multiple receipt rates can cause calculation mistakes.

Q14 – Labour Cost

Topic: Treatment of Overtime Premium
Marks: 2

The question provides overtime hours arising due to:

1. Extra work above capacity.
2. Rework caused by defective material.

Students have to determine the correct treatment of the overtime premium.

Difficulty: Moderate.

Q15 – Capacity Concepts

Topic: Installed Capacity, Practical Capacity and Normal Capacity
Marks: 2

The question gives the manufacturer's claimed production capacity and then adjusts it for:

- Sundays/holidays
- Stock-taking
- Repairs
- Batch change

Students need to identify the correct capacity concepts.

Difficulty: Easy.

QUESTION 1

Q1(a) – Marginal Costing

Marks: 7

The company manufactures **DSP and EM** and provides:

- Selling price
- Variable cost
- Maximum demand
- Maximum combined production capacity
- Product-specific fixed expenses
- Common fixed expenses

The question asks for the **optimum profit and product mix**.

Topic tested

Limiting Factor / Optimum Product Mix under Marginal Costing

Important approach

Students need to calculate:

Contribution per unit = Selling Price − Variable Cost

Then compare contribution from the products under the available production capacity.

The complication is that:

- Both products share the same overall production capacity.
- Each product has a maximum demand.
- Certain fixed costs arise only if a particular product is manufactured.

Therefore, this is not simply a contribution-ranking question.

Difficulty: Moderate

Q1(b) – EOQ

Marks: 4

The question is based on:

- Market demand
- Expected market share
- Raw material requirement
- Ordering cost
- Storage cost
- Interest cost
- Obsolescence cost

Required:

1. Economic Order Quantity
2. Corresponding ordering cost per annum

Topic tested

EOQ

Students have to determine annual demand and annual carrying cost before applying the EOQ concept.

Important formula

EOQ = √(2AO/C)

where:

- A = Annual demand
- O = Ordering cost per order
- C = Carrying cost per unit per annum

Difficulty: Easy-Moderate

Q1(c) – Service Department Overheads

Marks: 3

Two service departments:

- FC
- DD

provide services to:

- Fibers
- Fabrics
- Each other

The question specifically requires the **Simultaneous Equation Method**.

Topic tested

Reciprocal Service Department Method

Important

Because the service departments render services to each other, students cannot simply allocate one department first and stop there.

They need to formulate simultaneous equations.

For example:

Total FC cost = Original FC cost + share received from DD

and similarly for DD.

Difficulty: Moderate

QUESTION 2

Q2(a) – Wages Budget

Marks: 7

The question is based on two products:

- Ace eyeglasses
- Sharp eyeglasses

It gives:

- Budgeted sales
- Standard labour hours per unit
- Wage rate
- Overtime premium

- Number of workers
- Working weeks
- Productivity
- Non-productive downtime
- Opening stock
- Closing stock requirements

Topic tested

Labour Budget / Wages Budget

What makes it difficult?

Students need to move through several stages:

Sales → Production → Standard Labour Hours → Productive Hours → Actual Working Hours → Regular/O.T. Hours → Labour Cost

The interaction between:

- 75% productivity
- 15% downtime
- 45-hour weekly limit
- Overtime premium

makes this more than a basic wages calculation.

Difficulty: Moderate-Tricky

Q2(b) – Job Cost Sheet

Marks: 7

The question gives last year's actual cost data for:

- Raw materials
- Direct labour
- Factory overhead
- Administrative overhead

A new special order is received.

The company follows policies such as:

- Factory overhead as % of direct labour
- Administrative overhead as % of factory cost
- Additional safety margin on material and labour estimates
- Delivery and installation costs

Topic tested

Job Costing + Overhead Recovery + Pricing

Important steps

Students have to determine:

1. Material cost
2. Labour cost
3. Additional safety margin
4. Factory overhead
5. Administrative overhead
6. Delivery/installation
7. Total cost to be considered for pricing

Difficulty: Moderate-Tricky

QUESTION 3

Q3(a) – Reconciliation Statement

Marks: 7

The question provides profit as per Cost Accounts and several differences between Cost and Financial Accounts, including:

- Under/over-absorption of overheads
- Depreciation difference
- Interest income
- Income tax
- Profit on sale of investments
- Rent on owned premises
- Donation

Students must arrive at **profit as per Financial Accounts**.

Topic tested

Reconciliation of Cost & Financial Accounts

Important skill

Students must understand whether each item should be:

- Added
- Deducted
- Ignored

while moving from cost profit to financial profit.

Difficulty: Moderate

Q3(b) – Operating Costing

Marks: 7

This is a **bus transport costing** question.

Information includes:

- Number of buses
- Seating capacity
- Passenger utilisation
- Round trips
- Days operated
- Kilometres per trip
- Diesel price
- Diesel efficiency
- Repairs
- Salaries
- Garage rent
- Road tax
- Office expenses
- Depreciation and insurance
- Profit target

Requirements include:

1. Total kilometres

2. Total passenger trips
3. Total diesel cost
4. One-way fare per passenger

Topic tested

Operating Costing – Transport Costing

Difficulty: Moderate-Tricky

QUESTION 4

Q4(a) – Labour Cost Variances

Marks: 9

This is one of the most calculation-intensive questions in the paper.

The company has:

- Skilled workers
- Semi-skilled workers
- Unskilled workers

The question provides:

- Standard hours
- Standard rates
- Actual hours
- Actual rates
- Abnormal idle time
- Actual output

Required

Category-wise labour cost variances are to be analysed into:

- **Labour Mix Variance**
- **Labour Efficiency Variance**
- **Labour Yield Variance**
- **Labour Rate Variance**

along with indication of:

- Adverse
- Favourable

Difficulty: Difficult

Q4(b) – Process Costing

Marks: 5

The question uses **FIFO process costing** and includes:

- Opening WIP
- Closing WIP
- Normal loss
- Abnormal loss
- Flood damage
- Finished output
- Material introduced at commencement
- Labour and overhead completion percentages

Requirements

1. Raw material input
2. Normal loss and abnormal loss
3. Equivalent units of labour and overheads

Difficulty: Difficult

QUESTION 5

Q5(a) – Cost Sheet

Marks: 7

The question gives:

- Opening raw materials

- Opening WIP
- Opening finished goods
- Closing raw materials
- Closing WIP
- Purchases
- Production wages
- Utilities
- Administrative expenses
- Selling expenses
- Machine hours
- Machine hour rate
- Units produced
- Units sold
- Desired profit

Required

Calculate:

1. Prime Cost
2. Cost of Production
3. Cost of Goods Sold
4. Cost of Sales
5. Sales Revenue

Topic tested

Cost Sheet

Difficulty: Moderate

Q5(b) – Overhead Absorption

Marks: 7

The company currently uses a **single blanket factory overhead rate based on direct labour hours**.

Data is given department-wise for:

- Budgeted overheads
- Budgeted labour hours
- Budgeted machine hours

- Actual overheads
- Actual labour hours
- Actual machine hours

Job 1023 has different labour and machine-hour requirements in different departments.

Requirements

1. Calculate overhead used under existing blanket rate.
2. Recommend the appropriate absorption method.
3. Calculate overhead for Job 1023 under the recommended method.
4. Calculate under/over-recovery for the Finishing Department.

Topic tested

Departmental Overhead Rates vs Blanket Overhead Rate

Difficulty: Moderate-Tricky

QUESTION 6

Q6(a) – Classification of Cost

Marks: 5

Ten different costs are given and candidates must classify them according to the **appropriate function of cost**.

Examples include:

- Office attendants' salary
- Product blueprint
- Factory machinery hire
- Marketing manager salary
- Software licence for a particular job
- Factory workers' wages
- Customer-requested overtime
- Specialised packing
- Advertisement
- Production royalty

Topic tested

Functional Classification of Costs

Difficulty: Easy-Moderate

Q6(b) – By-product & Joint Products

Marks: 3

Part (i)

Treatment of amount realised from sale of **molasses as a by-product**.

Part (ii)

Products A and B arise from the same raw material, but Product A requires further refining.

The question asks how joint costs should be apportioned using the **Net Realisable Value method**.

Topic tested

- By-product accounting
- Joint product costing
- NRV method

Difficulty: Moderate

Q6(c) – Cost Sheet Treatment / BOM vs MRN

Marks: 6

There are two alternatives.

Alternative 1 – Treatment in Cost Sheet

Students are asked to explain treatment of:

1. Wages paid to idle workers during government lockdown.
2. State Government subsidy for eco-friendly raw materials.
3. Interest on term loan taken for plant and machinery.

4. GST on raw materials where input tax credit is eligible.

Concepts tested

- Abnormal idle time
- Subsidies
- Finance cost
- GST/Input Tax Credit
- Cost Sheet treatment

Difficulty: Moderate.

OR – Bill of Materials vs Material Requisition Note

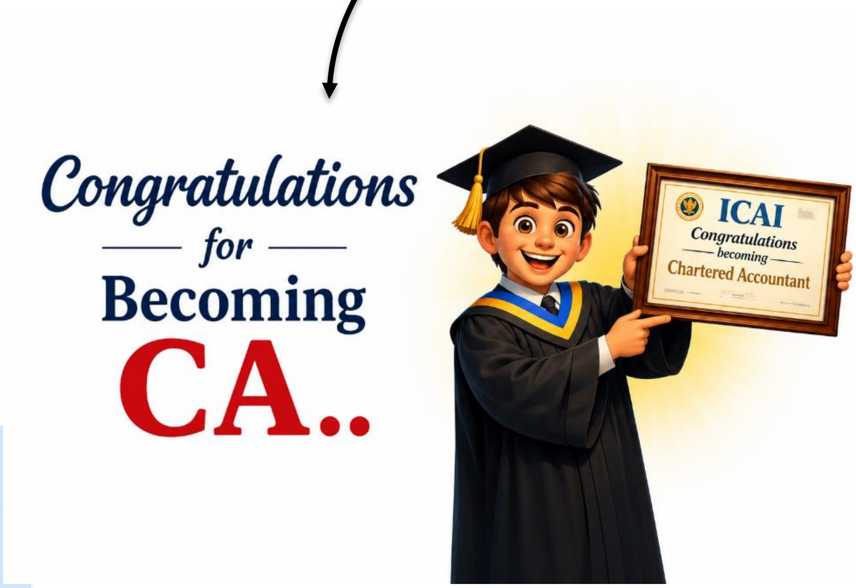
Students have to distinguish between:

Bill of Materials (BOM) and **Material Requisition Note (MRN)** in terms of:

- Contents
- Purpose
- Utility

Difficulty: Easy-Moderate.

Aur kya tum bhi yeh sunna chahte ho ?



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