**Cost and Management Accounting**

**April 2025 Examination**

**Question 1: Raja Brothers manufactures a product X. It is estimated that for each ton of material consumed, 1.00 articles should be produced. The standard price per ton of material is Rs. 10. During the first week in January 2024, 100 tons of material were issued to production, the price of which was Rs. 10.50 per ton. Production during the week was 10,200 articles. Compute the Cost Variance, Price Variance, Usage Variance, and Yield Variance with verification and workings. (10 Marks)**

**Ans 1.**

**Introduction**

Cost and Management Accounting plays a crucial role in evaluating the financial efficiency of an organization. It helps businesses analyze their production costs, control expenses, and improve profitability. One important aspect of cost accounting is variance analysis, which helps companies measure deviations from standard costs and take corrective actions. Variance analysis is particularly significant in manufacturing industries where materials, labor, and overhead costs are critical factors. By identifying cost variances, businesses can assess whether their actual costs align with their budgeted expectations. This process aids in improving resource utilization, optimizing production efficiency, and ensuring financial stability. In this context, we will discuss the different types of cost variances, particularly focusing on cost

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**Question 2:**

**You are required to prepare an operating cost sheet showing the cost of electricity generated per unit of kWh by KLM Thermal Power Station for the year 2024.**

|  |  |
| --- | --- |
| **Total units generated** | **7,00,000 kWh ₹** |
| **Operating Labour** | **43,750** |
| **Plant Supervision** | **6,250** |
| **Lubricants & Supplies** | **32,500** |
| **Repairs & Maintenance** | **21,000** |
| **Administrative Overhead** | **56,500** |
| **Capital cost** | **1,00,000** |

**Following is the additional information:**

* **Depreciation rate chargeable is 2% per annum.**
* **Interest on capital is 11%.**
* **Coal consumed per kWh for the year is 2.205 lb and cost of coal delivered to the power station is Rs.125 per metric ton.**

**(10 Marks)**

**Ans 2.**

**Introduction**

Operating cost analysis is an essential component of cost and management accounting, particularly for industries that rely on continuous production, such as power generation. Thermal power stations incur various costs, including labor, maintenance, fuel, and administrative expenses, which must be carefully managed to ensure profitability and efficiency. The operating cost sheet helps in determining the cost per unit of electricity generated, allowing companies to assess financial performance and identify areas for cost reduction. In thermal power generation, coal is a significant cost driver, and its efficient utilization plays a crucial role in managing expenses. By analyzing operating costs, power stations can optimize resource

**Question 3:**

**3. a. “Product costing is the process of calculating the costs associated with a product, while service costing is the process of calculating the costs associated with a service.”  
To elaborate the above, explain the meaning of the two types and then distinguish between Service Costing and Product Costing. (5 Marks)**

#### **Ans 3a.**

#### **Introduction**

Costing is an essential aspect of financial management that helps businesses determine the expenses associated with their products or services. Product costing involves calculating the cost of manufacturing a tangible good, whereas service costing focuses on the expenses incurred in delivering a service. Understanding these concepts helps businesses set prices, control costs, and improve profitability.

**Concept and**

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**3. b. Dan Ltd manufactures a single commodity with a marginal cost of Rs.0.75 per unit. Rs.12,000 are fixed expenses. The demand is such that it can exchange up to Rs.40,000 units at Rs.1.50 per unit, so all further purchases are to be done at Rs.1.00 per unit. A planned profit of Rs.20,000 is in operation. How many units must be made and sold? (5 Marks)**

#### **Ans 3b.**

#### **Introduction**

Dan Ltd. manufactures a single commodity and incurs both fixed and variable costs in its production process. The company aims to achieve a planned profit by producing and selling a specific number of units. To determine the required production level, it is essential to analyze the cost structure, selling price, and contribution