**Cost and Management Accounting**

**NMIMS Centre for Distance and Online Education (NCDOE)**

**Internal Assignment Applicable for 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.**

**Answer:**

**Introduction:**

Raja Brothers manufactures product X and follows a standard costing system to track material efficiency and cost variations. The company sets a standard material consumption rate of 1 ton per article, with a standard price of ₹10 per ton. However, during the first week of January 2024, 100 tons of material were issued at ₹10.50 per ton, and actual production was 10,200 articles. The analysis involves calculating key material variances, including Cost Variance, Price Variance, Usage Variance, and Yield Variance, to assess performance deviations. These variances help identify cost overruns, efficiency in material usage, and production effectiveness. The calculations, along with verification, provide insights into cost control and operational efficiency.

**This is partially solved sample answer**

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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.**

**Answer:**

**Introduction:**

KLM Thermal Power Station needs to determine its operating cost per unit of electricity (kWh) generated for the year 2024. The total electricity generated is 7,00,000 kWh, with various cost components, including operating labor, plant supervision, lubricants, repairs, maintenance, and administrative overhead. Additionally, capital cost, depreciation, and interest on capital must be considered. Fuel cost is a crucial factor, with coal consumption at 2.205 lb per kWh and a delivered cost of ₹125 per metric ton. The operating cost sheet will break down all these expenses to calculate the cost per kWh, helping in pricing decisions, efficiency analysis, and cost control for the power station.

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**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.**

**Answer:**

**Introduction:**

Product costing and service costing are essential cost accounting techniques used to determine the expenses associated with manufacturing a product or delivering a service. Product costing focuses on calculating direct and indirect costs related to tangible goods, such as raw materials, labor, and overhead. In contrast, service costing deals with the costs of intangible services, considering factors like labor, equipment, and operational expenses. Understanding the differences between these two methods helps businesses optimize pricing, control costs, and enhance profitability.

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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?**

**Answer:**

**Introduction:**

Dan Ltd manufactures a single product and incurs a marginal cost of Rs. 0.75 per unit, along with fixed expenses of Rs. 12,000. The selling price varies based on demand, with initial units priced at Rs. 1.50 and additional units at Rs. 1.00. The company aims for a planned profit of Rs. 20,000. To determine the required production and sales volume, a break-even analysis incorporating fixed costs, variable costs, and revenue must be conducted to achieve the target profit.

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