

SUGGESTED ANSWERS TO QUESTIONS

FINAL EXAMINATION

GROUP - IV

(SYLLABUS 2016)

DECEMBER- 2021

Paper-19 : COST AND MANAGEMENT AUDIT

Time Allowed : 3 Hours

Full Marks : 100

Section : A MCQ

20X1 = 20 Marks

Q.1 Following Figures are available for Best Ltd.

Budgeted Production - 800 units

Standard Hours per unit – 10

Actual Production - 700 units

Actual Working Hours - 5,600

Activity Ratio will be

Ans 1. 85.8%

2. 87.5%

3. 90%

4. 88.5%

Q.2 Consumer Service Audit critically examines

Ans 1. Appraisal of quality of life through better product quality and after sales services.

2. Higher price as compared to competitor's price for similar products

3. Debt -Turnover Ratios

4. Demand pattern of the products

Q.3 Which of the following ratios appear as Profitability Ratio in Part D of Annexure to Cost Audit Report?

Ans 1. Profit before Tax to Value Added

2. Value added to Net Profit

3. Net Profit to Share Capital

4. Value added to Net Sales

Q.4 Which of the following is not considered as "Solvency Ratio"?

Ans 1. Liquidity Ratio

2. Debt to Assets Ratio

3. Debt-Equity Ratio

4. Interest coverage Ratio

Q.5 The authority for fixing remuneration of Cost Auditors as per sec. 148 of the Companies Act, 2013 lies with

Ans 1. The Audit Committee

2. The Central Government

3. The Shareholders

4. The Board of Directors

Q.6 Which audit is a comprehensive audit to assist the corporate management in various aspects of development through a process of systematic review and evaluation of long term strategies of the company?

Ans 1. Corporate Services Audit

2. Corporate Development Audit

3. Corporate Social Responsibility Audit

4. Management Audit

Q.7 This is a compensation/periodic payments for the use of asset (tangible and/or intangible) to the owner for the use of his asset in the production/manufacture, sellingand distribution by an entity.

- Ans
- 1. Royalty
 - 2. Reimbursement
 - 3. Honorarium
 - 4. Compensation

Q.8 Propriety Audit in the context of Government Audit seeks to ensure that

- Ans
- 1. Public money are not spent for the benefit of a particular person
 - 2. Public officer should exercise same vigilance as in respect of expenditure ofhis/her own money
 - 3. All of these
 - 4. No authority should pass an order which will be directly or indirectly to its ownadvantage

Q.9 The Material Cost as per CAS 6 shall not include

- Ans
- 1. Losses due to shrinkage, moisture loss
 - 2. Outsourcing claims for processing by a third party.
 - 3. Demurrage charges levied by transport agencies
 - 4. Self-manufactured materials

Q.10 Operational Audit can lead to better management with the focus on

- Ans
- 1. Transaction based analysis for fraud prevention
 - 2. Budget Monitoring
 - 3. Risk identification, Process improvement
 - 4. Policies and procedure focus

Q.11 For what purpose, Management Accounting tools such as Thorough put accounting, Life cycle costing, Target costing, Variable or Marginal Costing are used?

- Ans
- 1. Cost computation
 - 2. Pricing and decision making
 - 3. Cost reduction
 - 4. Cost Control

Q.12 Cost Accounting Standard 19 deals with

- Ans
- 1. Overburden Removal Cost
 - 2. Joint Costs
 - 3. Production and Operation Overheads
 - 4. Repairs and Maintenance Cost

Q.13 The Auditor of Cooperative Societies is required to make an unique observationrelating to

- Ans
- 1. Overdue debts and classification
 - 2. Valuation of the assets and liabilities of the society
 - 3. Departure from provisions of the Act and the Rules, if any.
 - 4. Award a class to the society on criteria specified by the Registrar of Societies.

Q.14 Related Party transaction under Para D-5 of Annexure to the Cost Audit Report neednot be provided with

- Ans
- 1. Each Product transacted upon
 - 2. Each Related Party
 - 3. Each transaction entered upon
 - 4. Each Service transacted upon

Q.15 Installed capacity is determined based on:

- Ans
- 1. Capacities of individual or inter-related production centres
 - 2. All of these
 - 3. Number of shifts
 - 4. Manufacturer's Technical Specifications

Q.16 Educational Services covered under Companies (CRA) Rules 2014 does not include

- Ans
- 1. Catering service on mid-day meals scheme
 - 2. Housekeeping and security services
 - 3. Missionary/Philanthropic services done
 - 4. Transportation of students, faculty, staff

Q.17 Normal capacity as per CAS 2 means

- Ans
- 1. Installed capacity minus inevitable interruptions
 - 2. Maximum production capacity of a plant
 - 3. Volume of production achieved/achievable on an average over a period under normal circumstances.
 - 4. Difference between installed capacity and actual capacity utilisation

Q.18 Purchase price of material is US \$ 35,000, Import duty paid Rs 4,35,000, Freight inward - Rs 2,56,000, Insurance paid Import by Road -Rs. 58,000. (Payment made to the vendor after a month, on that date, the rate of exchange 1\$ = Rs 72.56 but 1\$ = Rs 72.38 on date of importation). Compute the loaded cost of material.

- Ans
- 1. Rs.32,88,600
 - 2. Rs.32,58,300
 - 3. Rs.32,84,400
 - 4. Rs.32,82,300

Q.19 Arms and ammunitions and Explosives sector and fulfilling turnover criteria is under

- Ans
- 1. Exempted category
 - 2. Regulated Sector category
 - 3. Not Applicable category
 - 4. Non-regulated Sector category

Q.20 "Cost of Services provided" as per Abridged Cost Statement does not include

- Ans
- 1. Cost of outsourced /contractual services
 - 2. Industry specific operating expenses
 - 3. Research and Development Expenses
 - 4. Technical know-how fee

Q.1 Under which Audit, the following aspects are involved?

Physical verification of Stock (ii) Method of Valuation adopted and (iii) Movement of Stock

Answer: Inventory Audit

Q.2 Does a company appointing multiple Cost Auditor required to file multiple form CRA 2 form or a single one?

Answer: A single Form CRA-2 is required to be filed providing details of the sectors/industries covered under cost audit and details of Cost Auditor. [Intimation for appointment of cost auditor to Central Government' has replaced the earlier Form 23C (application seeking approval for appointment of cost auditor)].

Q.3 What are the Defectives which cannot meet the quality standards even after putting in additional resources called as?

Answer: Rejects

Q.4 Mention at least two items which are included in Cost Accounts but not in Financial Accounts.

Answer: There are some items which are included in cost accounts but not in financial account. These are:

- (a) Notional interest on capital;
- (b) Notional rent on premises owned.

Q.5 What are these simply variables, independent or interdependent, parameters in respect of which goals can be set and performance can be measured to assess whether it is in furtherance of the enterprise objectives ?

Answer: Key Performance Indicators

Q.6 What is Generally accepted cost accounting principles?

Answer: The purpose for a compilation of GACAP is to bring uniformity in cost accounting principles and standard for Indian industry. [The Companies (Cost Records and Audit) Rules, 2014 require maintenance of cost records according to GACAP and Cost Accounting Standards.]

Q.7 Find the Direct Expenses as per CAS 10 from the following: Finance charge on lease of Design Rs25,000, Special Design Charges Rs 28,000, Software Development Charges related to Production Rs 27,000, and Travelling abroad for Training Rs25,000.

Answer: Rs 28000+Rs 27000+ Rs25000 =Rs 80000 (finance charges will not form part of direct expenses).

Q.8 What is meant by Summary Report to Top Management?

Answer: Summary reports to management usually would have two distinct functions –

- (i) They would tell what the internal audit department has accomplished when compared to what was planned.
- (ii) They would show conclusions of the auditors in a summarized form.

Q.9 What is the maximum level of output that a company can sustain to make a product or provide a service ?

Answer: Installed/ Maximum Capacity

Q.10 This is called as Dictionary of all cost elements required in the Cost Audit Report.

Answer: Costing Taxonomy

Q.11 What is the obligation of Cost Auditor to certify its arms' length relationship with the company?

Answer: The Cost Auditor of a company is required to give a certificate to the Audit Committee of its independence and arm's length relationship with the company.

Q.12 Inward transportation cost for procurement shall form part of which category of cost?

Answer: Inward transportation costs shall form the part of the cost of procurement of materials which are to be identified for proper allocation/apportionment to materials / products.

Q.13 What services are included on 'Health Services' as per the CCRA Rules.

Answer: Health services namely functioning of as or running hospitals, diagnostic centres, clinical centres or test laboratories

Q.14 How would you treat abnormal cost?

Answer: Abnormal Cost is an unusual or a typical cost whose occurrence is usually irregular and unexpected and/or due to some abnormal situation of the production or operation. It must be excluded from computation of Cost and appears in Costing Profit/Loss Account

Q.15 What is a detailed plan of the auditing work to be performed, specifying the procedures to be followed, in verification of each item and the financial statements time required ?

Answer: Audit Programme

Q.16 Under what conditions a private company is to appoint Internal Auditor?

Answer: A private company having (i) turnover of Rs. 200 crore or more during preceding FY and (ii) outstanding loans or borrowings from banks or PFIs exceeding Rs. 100 hundred crore or more at any point of time during the preceding financial year.

Q.17 Explain the term Detection Risk.

Answer: Detection risk is the risk wherein the procedures followed by the cost auditor to reduce audit risk to an acceptable low level will not detect a misstatement that exists and that could be material, either individually or when aggregated with other misstatements. It is covered in Audit Standard 103.

Q.18 How would you assign primary and secondary packing materials cost as per CAS9?

Answer: Cost of primary packing materials shall form part of the cost of production and cost of secondary packing materials shall form part of distribution overheads.

Q.19 What is 'concurrent audit'?

Answer: Indian financial Institutions, banks and Board for Industrial Finance and Reconstruction (BIFR) have found concurrent audit useful in monitoring sick industrial units and to help the units in their rehabilitation. [It is a form of Management Audit running concurrent with statutory audit.]

Q.20 What are the Products with relatively low value produced incidentally in the manufacturing are called as?

Answer: By Product

Section : C

(12X4 = 48 Marks)

One LAQ

- Q.1** From the following figures of PQR Ltd., compute the landed cost of materials for the year FY 20-21. 4 Marks

Particulars	Amount
Material	\$ 12,500
Import duty	Rs.49,850
Freight	Rs.35,200
Insurance	Rs.5,450
Cash Discount	Rs.9,200
Interest for import credit	Rs.5,400
Import duty refundable	Rs.2,450
Demurrage at Customs godown	Rs.3,500

Parity of \$ (on transaction dates) - Rs.74.18

Answer:

The landed value of cost of Materials of PQR Ltd for the FY 20-21 = Rs. 10,15,300

- Q.2 How do you assign cost of Indirect Materials?**

4 Marks

Answer:

- (i) The cost of indirect materials shall be assigned to the various Cost objects based on a suitable basis such as actual usage or technical norms or a similar identifiable measure.
- (ii) The cost of materials like catalysts, dies, tools, moulds, patterns etc., which are relatable to production over a period of time shall be amortized over the production units benefited by such cost.
- (iii) The cost of indirect material with life exceeding one year shall be included in cost over the useful life of the material.

Q.3

A steel company which produces Iron Casting Pipes and rod iron is covered under the Cost Audit according to the Companies (Cost Records and Audit) Rules 2014. From the expenditure data relating to 2020-21, determine the employees cost according to CAS- 7.

4 Marks

Sl. No.	Particulars	Rs in lakh
(i)	Salary, wages and other allowances	865
(ii)	Bonus	95
(iii)	Contribution to Provident Fund	90
(iv)	Wages to contractors' employees	108
(v)	Employees welfare	49
(vi)	Abnormal cost due to strike	105
(vii)	VRS payment for closure of Rod Iron section of the plant (to be amortized for five years from the current period).	105
(viii)	Arrear Salary (2019-20)	240
(ix)	Compensation paid against the past periods against Court order	85

Answer:

The Employee Cost as per CAS 7 for the period FY 2020-21 = Rs. 1,228 lakh

Q.1 For audit of cost of electricity generated by DG set, draw a check list. (at least 6 points)	4 Marks
<p>Answer:</p> <p>Some suggested areas should be remembered to audit the cost of electricity generated by DG set:</p> <ul style="list-style-type: none"> • Periodical report of Diesel Generating Set prepared by the head of DG set should be the basis for finding the cost of electricity generated. • Ensure that monthly report contains the following information on i) No of hours DG set is operated, Quantity of high speed diesel used, ii) Total units generated. • Ensure that employee cost is properly booked and it pertaining to only those employees actually working for DG set. • Ensure that cost of consumable stores and repairs is properly allocated, pertains to cost actually incurred for DG set. • Ensure the correctness of depreciation and insurance, etc. • Ensure that proper cost center is allocated to DG set • Generally, CMA Department prepares expense control chart which lists out all the expenses incurred for DG set. 	
Q.2 You are the Internal Auditor of a Manufacturing company. There is abnormal rise in raw materials costs during the previous month when there was no significant change in production programme. How will you proceed?	4 Marks
<p>Answer:</p> <p>It may be considered as abnormal cost and the auditor should proceed to find on the following lines —</p> <ol style="list-style-type: none"> 1. Variance Analysis: A variance analysis of the actual cost with that of standard or if there is no standard costing system, proceed with that of previous month. An analysis will highlight <ol style="list-style-type: none"> (a) Price Variance (b) Volume Variance (c) Usage Variance. 2. Usage basis: Obtain the standard consumption figures, and ascertain the basis of computation of normal usage figures to find out adverse variation. 3. Abnormal Process Loss due to inferior material quality, machine utilization, rigid inspection, old lot consumption may be cause of rising cost. 4. Abnormal storage and Handling loss- Find the facts and suggest remedies. These are illustrative in nature and list may not be exhaustive. 	
Q.3 What is the Scope of Internal Control?	4 Marks
<p>Answer:</p> <p>An effective internal control is a critical success factor for any organization in the long term. They are indispensable tools for the ever increasing risks, exposures and threats to accounting systems, data and assets. It embraces the whole system of controls, financial, operational or otherwise, established by the management in the functioning of a business including internal check, internal audit and other forms of control. In fact, internal control has now been recognized as fundamental and indispensable to modern auditing. Thus internal control has its all embracing nature and is concerned with the controls operative in every area of corporate activity as well as with the way in which individual controls interrelate. The scope of internal control extends well beyond accounting control. Thus, the latest definition of internal control encompasses operational controls like quality control, work standards, budgetary control, periodic reporting, policy appraisals, quantitative control, etc., as all parts of the internal control system. In an independent financial audit or the statutory audit, the auditor is concerned mainly with the financial and accounting controls. However, in an operational audit(as part of internal controls), the auditor reviews all the controls including operational functions. The internal controls can be broadly classified into following four main categories:</p> <ol style="list-style-type: none"> (i) Administrative Control - Administrative controls include all types of managerial controls related to the decision making process. An example of administrative controls is the maintenance of records giving details of customers contacted by the salesmen. (ii) Operational Control - This is exercised through 'managerial accounting' techniques viz, budgetary control, standard costing etc. (iii) Financial and Accounting control: This control refers primarily the management plans, objectives and procedures that are concerned with the safeguarding of assets, prevention and detection of fraud and error, accuracy and completeness of accounting records, and timely preparation of reliable financial information. (iv) Compliance Control: These controls aim at ensuring compliance with applicable laws and regulations. These controls also help to ensure compliance with laws regarding the system and intellectual property. 	

- Q.1** Find out Value addition in respect of XYZ Co. for the year ended 31.3.2021 as per Part D of CCRA Rules from the following informations.

	Rs lakh
Net Sales	6,950
Other Income	565
Increase in value of Finished Goods	75
Raw materials consumed	2,265
Direct wages, salaries, Benefits	765
Power fuel	288
Stores & Spares	366
Cess and local tax	155
Other Manufacturing Overheads	625
Other Administrative Overheads	317
Audit Fees	25
Selling & Distribution Overheads	195
Directors' Salaries & Commission	65
Depreciation	650
Interest charges	350
Provision for taxes	625
Proposed Dividend	650

Answer:

Value addition in respect of XYZ Co. for the year ended 31.3.2021 as per Part D of CCRA Rules = Rs. 2,944 lakh

**Q.2 ABC Ltd showed as on the end of FY 20-21 the following financial fig.(Rs lakh) Share Capital Rs 4500 Reserves & 4 Marks
Surplus Rs .1440 Loan Rs.1600 Sundry Creditors Rs 1500 and for same year Profit before tax Rs 2500 Provision
for tax Rs 1000 Proposed Dividend Rs 700. Deferred Rev Expenses Rs 400.**

Find the Return/Networth.

Answer:

Return on Net worth = 27.1%

**Q.3 The financial Profit and Loss account for the year 2020-21, of a Company shows a Net Profit of Rs.20,00,000. 4 Marks
During the course of audit, it was noticed that:**

**(i) Some Old Assets sold off, at the end of the year fetching a profit of of Rs.
1,00,000**

**(ii) A major overhaul of machinery was carried out at a cost of Rs.6,00,000. And thenext
such overhaul will be done only after 3 years.**

Work out the profit as per Cost Accounts.

Answer:

Profit as per Cost Accounts = Rs. 23,00,000

Q.1 What are the benefits from using XBRL?

4 Marks

Answer:**Benefits from using XBRL:**

All types of organisations can make use of XBRL to automate their process of data collection and distribution to various stakeholders. It helps in saving costs and improving the efficiency in managing business information - financial or cost.

XBRL being extensible and flexible, can be adopted to a wide variety of requirements. All Stakeholders whether they are preparers, transmitters or users of business data in the financial information supply chain can benefit from the use of XBRL.

Q.2 What are the objectives of Cost Audit?

4 Marks

Answer:**Objectives of Cost Audit:**

- (i) To verify cost accounts with a view to ascertaining that these have been properly maintained and compiled according to the cost accounting system followed by the enterprise.
- (ii) To ensure that the prescribed procedures of cost accounting records rules are duly adhered to
- (iii) To detect errors and fraud in the Company activities
- (iv) To verify the cost of each 'Cost unit' and Cost Center' to ensure that these have been properly ascertained.
- (v) To determine inventory valuation
- (vi) To facilitate fixation of prices of goods and services
- (vii) To periodically reconcile between Cost accounts and financial accounts
- (viii) To ensure optimum utilisation of human, physical and financial resources of the enterprise.
- (ix) To detect and make correction of abnormal loss of material and time
- (x) To inculcate cost consciousness
- (xi) To advise management, on the basis of inter-firm comparison of cost records as regards the areas where performance calls for improvement.
- (xii) To promote corporate governance through various operational disclosures to the directors.

Q.3 According to Cost Auditing Standard-103, Explain:

4 Marks

Audit and Ethics:**Answer:****Audit and Ethics:**

The Cost Auditor should comply with relevant ethical requirements as per Code of Ethics issued by the Institute of Cost Accountants of India. This Code establishes fundamental principles of professional ethics relevant to the auditor while conducting an audit and provides a conceptual framework for applying these principles. The fundamental principles with which the auditor is required to comply are Independence, Integrity, Objectivity Professional Competence and due care, Confidentiality and Professional conduct. In case of an audit engagement, it is in the public interest that the auditor should be independent of the entity subject to the audit. The cost auditor's independence from the entity safeguards the cost auditor's ability to form an opinion without being affected by influences that might compromise that opinion. Independence enhances the auditor's ability to act with integrity to be objective and to maintain an attitude of professional skepticism.

Q.1

The following are extracts from The Balance sheet of PQR Ltd for two years FY 2019-20 and FY 2020-21 appear as follows: (Rs lakh)

4+4+4 = 12 Marks

Liabilities	FY19-20	FY20-21	Assets	FY19-20	FY20-21
Share capital	3850	3850	Fixed assets	5250	4695
Reserves	925	650	Less: Depn	2025	1610
Loans IDBI	1495	1710	Net Fixed Assets	3225	3085
			Investment	600	450
Provisions & Liabilities	1325	450	Stock	1890	1560
			Debtors	920	780
			Cash Bank	450	360
			Other Cur Assets	510	425
	7595	6660		7595	6660

The operational results for the year indicate as (Rs lakh) Sales 9000, Earning before Int & Tax 2250, Interest 160, Prov for tax 560, Proposed Dividend 750.

From the above information

- i) Find the Average Capital Employed
- ii) Calculate Return on Capital Employed
- iii) What is the Return on Net Worth?

Answer:

- i) Average Capital Employed = Rs. 5,715 lakh
- ii) Return on Capital Employed = 32.2%
The return of 32% after tax is considered good and the unit can go for expansion provided market conditions permit.
- iii) Return on net worth = 32.45% (Based on Opening value of Capital Employed)

Six LAQ
(3X4 = 12 Marks)

Q.1 You are required to write Short Note on Audit Engagement Letter	3 Marks
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Answer: Audit Engagement Letter:

Auditors agree with the client's management, in writing, about the scope, terms and conditions of the audit engagement. This written communication is referred to as an engagement letter. The letter is usually addressed to Chairman of the audit committee, or, in the case of a corporation, the chair of the board of directors, with a copy being sent to the audit committee. The purpose of such a letter is to minimize any possible misunderstanding concerning the scope and terms of the audit engagement.

Q.2 You are required to write Short Note on Internal Control of Cost Information System/Management Information System as per Cost Auditing Standard – 104	3 Marks
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Answer: Internal Control Of Cost Information/Management Information System As Per Cost Auditing Standard - 104:

The cost auditor shall obtain an understanding of the Information System including Management Information System, relevant to cost reporting, including the following areas:

- (i) The classes of transactions and their analysis, that are significant to the cost statements;
- (ii) The procedures, by which those transactions and their analysis are initiated, recorded, processed, and reported in the management information systems and cost statements;
- (iii) The related cost accounting records, supporting information that are used to initiate, record, process and report transactions; and
- (iv) The reporting process used to prepare the entity's cost statements, including significant estimates and disclosures.

Q.3 You are required to write Short Note on Materials Consumed as per CAS-22	3 Marks
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Answer: Materials Consumed as per Cost Accounting Standard - 22:

Materials consumed includes materials directly identified for production of excisable good such as:

- (i) Indigenous materials
- (ii) Imported materials
- (iii) Bought out materials
- (iv) Self-manufactured items
- (v) Process materials and other items
- (vi) Materials received free of cost or at concessional value from the buyer
- (vii) Accessories, on which cenvat credit is admissible, and which are cleared along with the final product
- (viii) goods used for providing free warranty for excisable goods

Q.4 You are required to write Short Note on Adjustment of Cost Variances as indicated in Companies (Cost Records and Audit) Rules, 2014.	3 Marks
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Answer: Adjustments of Cost Variances as indicated in Companies (Cost Records and Audit) Rules, 2014:

Where the company maintains cost records on any basis other than actual such as standard costing, the records shall indicate the procedure followed by the company in working out the cost of the goods or services under such system. The cost variances shall be shown against separate heads and analyzed into material, labour, overheads and further segregated into quantity, price and efficiency variances. The method followed for adjusting the cost variances in determining the actual cost of the goods or services shall be indicated clearly in the cost records. The reasons for the variances shall be duly explained in the cost records and statements.

Q.5 Write briefly what you mean as Audit File.	3 Marks
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Answer: As per Cost Auditing Standard 103, Audit file means one or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific Assignment or audit. The Cost Audit Documentation must be assembled as the audit goes on and the final assembly required. After the assembly of the final audit file has completed, the auditor should not delete or discard audit documentation of any nature before the end of its retention period.

Section : D - Case Study Question

Q.1

5+4+3 = 12 Marks

Paragon Fabrics Ltd. is located in a non-municipal area. It uses water for production, wash and drinking purposes and raises from a waterbody nearby. It recovers some water through recycling process. The Water Treatment plant has three units, Unit 1) For collection, filtration; Unit 2) Purification and Microbe removal; Unit 3) Demineralization for removal of Hardness and hazardous substances. The treated water is transferred to Water Reservoir of the Plant for supply to Weaving, Dyeing, Boiler and Humidification sections. A part is transferred for domestic consumption in office and quarters through branded Purifier (the cost is charged to maintenance costs). There is loss of water incurred in unit 1 and 2 but is negligible in unit 3. Following data is provided for the respective units. The water collection cost inclusive of fees to local authorities is Rs. 1.50 /KL.

Particulars	unit	Unit 1	Unit 2	Unit 3	Domestic
Water raised	Kl	78900	74965	48700	14500
Water transferred	Kl	74965	63200	48700	14500
Cost of water raised	Rs 00	118350			
Chemicals	Rs 00	13000	40625	48750	
Insurance	Rs 00	1815	6600	8100	
Depreciation	Rs 00	3900	4880	6550	
Repair, maintenances	Rs 00	4880	6500	8100	
Wages salaries	Rs 00	48750	40625	48750	

From the above-

- i) Calculate the cost of Water transferred from source to Plant and Domestic area.
- ii) Calculate the total value of abnormal loss of water.
- iii) Fill form 2B of Abridged Cost Statement in respect of utilities (Thermal Electricity -CTA Heading 2716) consuming water in demineralized form.

Answer:

- i) Cost of water transferred with treatment cost

	Unit 1	Unit 2	Unit 3	Domestic
1.Water received (Kl)	78900	74965	48700	14500
2. –do- Value (Rs.00)	118350	190,695	289,925	94,107
3.Wages, Salaries Rs. 00	48,750	40,625	48,750	Inclusive with unit3 ** Divided by 63,200Kl (48700+ 14500)
4.Chemicals Rs. 00	13,000	40,625	48,750	
5.Repairs Rs.00	4,880	6,500	8,100	
6.Insurance Rs. 00	1,815	6,600	8,100	
7.Depreciation Rs. 00	3,900	4,880	6,550	
8.Total Cost (2) to (7) Rs. 00	190,695	289,925	410,175 **	
9.Rate (8)/(1) Rs.	(2.417) 2.42	(3.867) 3.87	6.49	6.49
10.Abnormal Loss Qty(Kl)	3,935	11,765	Xx	
11.Abnormal Loss Rs.	9,510.58	45500.80	Xxx	
12.Trf to next process (Kl)	74,965	63,200	14,500	
	Unit 2 output Split to 48,700 & 14,500 at average cost			

ii) The value of abnormal loss of water charged to P/L account:

Unit 1 = Rs. 9,510

Unit 2 = Rs. 45,500

iii) Form 2B

Details of Utilities Consumed

Name of Product	Thermal Electricity			
CTA heading	2716			
		Current Year		Previous Year
Description of Material	UOM	Qty	Rate/ unit Rs.	Amount Rs.
Water (Demineralized)	KL	63200	6.49	410175