**OD-134**

**October-2019**

**M.com., Sem.-III**

**504-EA/EE : Management Accounting – I**

**(New and Old)**

**Time : 2:30 Hours]** **[Max, Marks : 70**

**Q1:- (A) (i)** The following figures are available with reference four week period Of working in ABC Ltd. With budgeted production of 5,000 units.

Other information is as under :

| | ₹ |
|---|---|
| Production and sales(5,000 units @ ₹ 50 per unit. | 2,50,000 |
| Variable cost (at ₹ 35 per unit) | 1,75,000 |
| Profit | 40,000 |

On account of an external power line failure resulting from damage Due to storm, production for 5 days out of 20 days was lost and Actual results were as follows :

Production and sales – 3,900 units @ ₹ 50 per unit

Variable cost - ₹ 35 per unit)

Profit - ₹ 35,000

Calculate and explain :

(1) Traditional Variances and

(2) Planning and Operational Variances

**Answer**

| Original Budget | Revised Budget | | Actual Result |
|---|---|---|---|
| | **Days** | **Units** | |
| 5000 units | 20 | 5000 | 3900 Units |
| | 15 | ( ? ) | |
| | (20-5) = 3750 units | | |

| Original Budget | | Revised Budget | | Actual Budget | |
|---|---|---|---|---|---|
| Sales (50) | 2,50,000 | Sales (50) | 1,87,500 | Sales (50) | 1,95,000 |
| - Variable Cost (35) | 1,75,000 | - Variable Cost (35) | 1,31,250 | - Variable Cost (35) | 1,36,500 |
| Contribution | 75,000 | Contribution | 56,250 | Contribution | 58,500 |
| - Fixed Cost | 35,000 | - Fixed Cost | 35,000 | - Fixed Cost | 23,500 |
| Profit | 40,000 | Profit | 21,250 | Profit | 35,000 |

**(A) Traditional Variances**

(i) Sales Margin Variances :-

= Actual Profit – Original Profit

= 35,000 - 40,000 | OR = (75,000 – 58,500)

= -5,000 (U) | = - 16,500 (U)

**(B) Planning and operating variances**

(i) Planning Variances :-

= Revised Profit – Original Profit

= 21,250 - 40,000 | OR = (75,000 – 56,250)

= -18,750 (U) | = - 18,750 (U)

(ii) Operating Variances :-

= Actual Profit – Revised Profit

= 35,000 -21,250 | OR = (56,250 – 58,500)

= + 13,750 (F) | = +2,250 (F)

**(ii)** Calculate and explain operating variances from the following

Information :

Standard material cost : 7 kg per unit at ₹ 50 per kg

Actual production : 1,000 units

Actual usage of material : 8,000 kg at cost of ₹ 4,16,000

A change in export import policy of government has made it Possible to purchase the above material at ₹ 47 per kg. What Would be the situation, if traditional variance analysis is applicable?

**Answer**

| Original Budget | Revised Budget | Actual Budget |
|---|---|---|
| Units Kg<br>1 7<br>1000 ?<br>7,000 Kg × 50 ₹ | Units Kg<br>1 7<br>1000 ?<br>7,000 Kg × 47 ₹ | 8,000 Kg × 52 ₹ |
| ₹ 3,50,000/- | ₹ 3,29,000/- | ₹ 4,16,000/- |

Price + usage

planning variance operating variance

Traditional Variance ( Price + Usage )

**(A) Traditional Variance**

(i) Material Cost Variances :-

= Original Budget Cost – Actual Cost

= 3,50,000 – 4,16,000

= - 66,000 (U)

(ii) Material Price Variances :-

= Actual Qty (Std. Price – Actual Price)

= 8,000 (52-52)

= 8,000 (-2)

= -16,000 (U)

(iii) Material Usage Variances :-

= Std. Price (Std. Qty – Actual Qty)

= 50 (7,000 - 8,000)

= 50 (-1,000)

= - 50,000 (U)

**(B) As per the Opportunity Cost Approach**

(I) Planning Variances

= Original Budget Cost – Revised Budget Cost

= 3,50,000 – 3,29,000

= + 21,000 (F)

(II) Operating Variances

(i) Material cost variances

= Revised Budget Cost – Actual Cost

= 3,29,000 – 4,16,000

= - 87,000 (U)

(ii) Material Price Variances :-

= Actual Qty (Std. Price – Actual Price)

= 8,000 (47-52)

= 8,000 (-5)

= - 40,000 (U)

(iii) Material Usage Variances :-

= Std. Price (Std. Qty – Actual Qty)

= 47 (7,000-8,000)

= 47 (-1,000)

= - 47,000 (U)

**(B) Choose the correct option : ( any four )**

(1) Which of the following method is not of management accounting ?

**(a) Service costing** (b) Budgetary control

(c) Marginal Costing (d) Historical Costing

(2) Which of the following is not a limitation of management accounting ?

(a) Decisions of management **(b) Less expensive**

(c) Figures in money only (d) Depends upon financial accounting

(3) As per opportunity cost approach, planning variance is

**(a) Original standards – Revised standards**

(b) Revised standards - Actual Results

(c) Actual results – Revised Standards

(d) Original standards – Actual Results

(4) As per opportunity cost approach, operating variance is

(a) Revised standards - Original standards

(b) Actual Results - Revised standards

**(c) Revised Standards - Actual results**

(5) _____ accounting needs to be dynamic and forward looking.

**(a) Management** (b) Financial

(c) Cost (d) None of these

(6) As per opportunity cost approach, wage rate variance =

(a) Actual hours ( Standard rate – Actual rate )

**(b) Actual hours ( Revised rate – Actual rate )**

(c) Standard hours ( Actual rate – Standard rate )

(d) All of the above

Q2 :- (A) (i) A department of H ltd. Attains sales of ₹ 30,00,000 at 80% Capacity and other information are given below :

| **Administration cost :** | **₹** |
|---|---|
| Rate and taxes ( fixed) | 40,000 |
| Office salaries ( fixed) | 2,40,000 |
| General expenses | 5% of sales |
| **Selling cost :** | |
| Salaries | 10% of sales |
| Sales office expenses | 3% of sales |
| Travelling expenses | 4% of sales |
| **Distribution cost :** | |
| Rent | 2.5% of sales |
| Wages ( Fixed ) | 55,000 |
| Other expenses | 6% of sales |

Draw – up flexible administration, selling and distribution cost budget at 90% and 100% capacity.

**Answer**

**Overhead Cost Budget**

| **Particulars**<br>Sales (₹) | **80%**<br>30,00,000 | **90%**<br>33,75,000 | **100%**<br>37,50,000 |
|---|---|---|---|
| **Administration Cost :-** | | | |
| Rate and Taxes (fixed) | 40,000 | 40,000 | 40,000 |
| Office salaries (fixed) | 2,40,000 | 2,40,000 | 2,40,000 |
| General Exp.<br>(5% of sales) | 1,50,000<br>(30,00,000×5%) | 1,68,750<br>(33,75,000×5%) | 1,87,500<br>(37,50,000×5%) |
| **Total (A)** | **4,30,000** | **4,48,750** | **4,67,500** |
| | | | |
| **Selling cost :-** | | | |
| Salaries | 3,00,000 | 3,37,500 | 3,75,000 |
| Sales office expenses | 90,000 | 1,01,250 | 1,12,500 |
| Travelling Expenses | 1,20,000 | 1,35,000 | 1,50,000 |
| **Total (B)** | **5,10,000** | **5,73,750** | **6,37,500** |
| | | | |
| **Distribution cost :-** | | | |
| Rent | 75,000 | 84,375 | 93,750 |
| Wages (fixed ) | 55,000 | 55,000 | 55,000 |
| Other expenses | 1,80,000 | 2,02,500 | 2,25,000 |
| **Total (C)** | **3,10,000** | **3,41,875** | **3,73,750** |
| | | | |
| **Total cost (A+B+C)** | **12,50,000** | **13,64,375** | **14,78,750** |

(ii) Vikram Ltd. Uses four types of raw material P, Q, R and S for Manufacturing three products A, B and C. Production is carried on in four Departments. The following information is given.

| Material | Material cost per unit (₹) | Product Units | | |
|---|---|---|---|---|
| | | A | B | C |
| P | 15 | - | 1 | 2 |
| Q | 18 | 1 | 1 | - |
| R | 10 | 1 | - | 2 |
| S | 5 | 1 | - | 1 |

| **Budgeted Data :** | **A** | **B** | **C** |
|---|---|---|---|
| 1. Sales during year (₹) | 30,00,000 | 28,00,000 | 48,00,000 |
| Selling price per unit (₹) | 60 | 70 | 80 |
| 2. Finished goods stock | | | |
| (units) At the year end | 20,000 | 21,000 | 28,000 |
| In the beginning of year | 6,000 | 4,000 | 8,000 |

| | **P** | **Q** | **R** | **S** |
|---|---|---|---|---|
| 3. Raw material stock | | | | |
| (units) At the year end | 40,000 | 24,000 | 24,000 | 34,000 |
| In the beginning of year | 37,000 | 25,000 | 28,000 | 38,000 |

Prepare for the year 2018 :

(1) Production Budget

(2) Production cost budget for direct material of various departments for year.

(3) Purchase Budget.

**Answer**

## (i) Production Budget

| Particulars | A | B | C |
|---|---|---|---|
| Sales (₹) | 30,00,000 | 28,00,000 | 48,00,000 |
| Sales Price (₹) | 60 | 70 | 80 |
| Sales Units= $\frac{Sales}{Sales\ Price\ Per\ Unit}$ | $\frac{30,00,000}{60}$ | $\frac{28,00,000}{70}$ | $\frac{48,00,000}{80}$ |
| Sales units | 50,000 | 40,000 | 60,000 |
| + Closing stock | 20,000 | 21,000 | 28,000 |
| | **70,000** | **61,000** | **88,000** |
| - Opening stock | 6,000 | 4,000 | 8,000 |
| **Production Units** | **64,000** | **57,000** | **80,000** |

## (ii) Production cost budget for direct material of various departments :-

| Particulars | Raw Material | | | |
|---|---|---|---|---|
| | P | Q | R | S |
| Raw Material consumed (Pro. Unit ×Per unit cons.) | | | | |
| Product A | - | (64000×1) 64,000 | (64000×1) 64,000 | (64000×1) 64,000 |
| Product B | (57000×1) 57,000 | (57,000×1) 57000 | - | - |
| Product C | (80,000×2) 1,60,000 | - | (80000×2) 1,60,000 | (80000×1) 80,000 |
| **Total material consumed** | **2,17,000** | **1,21,000** | **2,24,000** | **1,44,000** |
| × Cost per unit | 15 | 18 | 10 | 5 |
| **Material cost** | **32,55,000** | **21,78,000** | **22,40,000** | **7,20,000** |

## Raw Material Purchase Budget

**Raw Material**

| Particulars | P | Q | R | S |
|---|---|---|---|---|
| Raw material Consumed | 2,17,000 | 1,21,000 | 2,24,000 | 1,44,000 |
| + Closing stock Of raw material | 40,000 | 24,000 | 24,000 | 34,000 |
| | **2,57,000** | **1,45,000** | **2,48,000** | **1,78,000** |

| | | | | |
|---|---|---|---|---|
| - Opening stock<br>Of raw material | 37,000 | 25,000 | 28,000 | 38,000 |
| | | | | |
| **Raw Material Purchase** | **2,20,000** | **1,20,000** | **2,20,000** | **1,40,000** |
| × Price Per unit | 15 | 18 | 10 | 5 |
| | | | | |
| **Raw Material Purchase ₹** | **33,00,000** | **21,60,000** | **22,00,000** | **7,00,000** |

Total Purchase = (33,00,000 + 21,60,000 + 22,00,000 + 7,00,000)

= 83,60,000

**(B) Choose the correct option : (any four)** **(4)**

(1) Which of the following describes the format for material purchase budget

(a) Sales + desired production – Opening inventory

**(b) Required production + desired closing inventory – opening inventory**

(c) Opening inventory + desired production – desired closing inventory

(d) Sales – profit = cost

(2) Which of the following is not a type of budget ?

(a) Cash budget (b) Flexible budget

(c) Both (a) & (b) **(d) Cash account**

(3) Master budget is also known as

(a) Cash budget (b) Finalized profit plan

(c) Summary budget **(d) Both (b) & (c)**

(4) Research and development budget is the example of

(a) Short–term budget **(b) Long-term budget**

(c) Cash budget (d) Current budget

(5) Which of the following item is not included while preparing a cash Budget ?

(a) Collection from debtors (b) Payment of creditors

**(c) Depreciation** (d) None of these

(6) Principal budget factor is also known as

(a) Profit and loss account **(b) Key factor**

(c) Balance Sheet (d) All of the above

Q3 :- (A) Following information is obtained from the cost department of Khushi Ltd.

| **Standard Cost** | **Per unit (₹)** |
|---|---|
| Material cost (3 kg @ ₹ 20per kg) | 60 |
| Direct wages (4 hours @ ₹ 5 per hour) | 20 |
| Variable overheads (4 hours @ ₹ 2.5 per hour) | 10 |
| Fixed overhead (4 hours @ ₹ 5 per hour) | 20 |
| **Total cost** | **110** |
| Profit | 10 |
| Selling Price | 120 |

Budgeted Production and Sales – 25,000 Units.

| **Actual Data** | **₹** |
|---|---|
| Material consumed : 62,000 kg @ ₹ 19 per kg | 11,78,000 |
| Wages : 82,000 hours @ ₹ 4.50 per hour | 3,69,000 |
| Variable overheads | 2,20,000 |
| Fixed overheads | 4,15,000 |
| Actual production and sales @ ₹ 125 per unit | 25,00,000 |

You are required to calculate difference variances and reconcile the budgeted Profit with actual profit.

**Answer**

**Step 1:- calculation of Budgeted Profit**

Budgeted Profit = Budgeted Production × Std. Profit per unit

= 25,000 × 10

= ₹ 2,50,000

**Step 2:- Calculation of Actual Profit**

| Particulars | Amount | Amount |
|---|---|---|
| Sales (20,000 units × 125) | | 25,00,000 |
| Less:-Material Consumed (62,000×19) | 11,78,000 | |
| Wages (82000 Hours × 4.50) | 3,69,000 | |
| Variable Overheads | 2,20,000 | |
| Fixed Overheads | 4,15,000 | 21,82,000 |
| **Actual Profit** | | **3,18,000** |

**Step 3:- Calculation of variances**

**(A) Material Variances**

**→ Std Qty for Actual Production**

| Units | Kg |
|---|---|
| 1 | 3 |
| 20,000 | ? |
| | = 60,000 kg |

**→ Prepare a table**

| Standard | | | Actual | | |
|---|---|---|---|---|---|
| Qty | Price | Amount | Qty | Price | Amount |
| 60,000 | 20 | 12,00,000 | 62,000 | 19 | 11,78,000 |

→ **Calculate Variances**

(i) Material Cost Variances

= Std. Cost – Actual Cost

= 12,00,000 – 11,78,000

= + 22,000(F)

(ii) Material Price Variance

= Actual Qty (Std. Price – Actual Price)

= 62,000 (20 - 19)

= 62,000 (+1)

= + 62,000 (F)

(iii) Material Usage Variance

= Std. Price (Std. Qty- Actual Qty)

= 20 (60,000 – 62,000)

= 20 (-2,000)

= - 40,000 (U)

**(B) Labour Variances**

→ Std. Hours for Actual Production

| **Units** | **Hours** |
|---|---|
| 1 | 4 |
| 20,000 | ? |

= 80,000 Hours

→ **Prepare a table**

| **Standard** | | | **Actual** | | |
|---|---|---|---|---|---|
| Hours | Rate | Amount | Hours | Rate | Amount |
| 80,000 | 5 | 4,00,000 | 82,000 | 4.50 | 3,69,00 |

→ **Labour Variances**

(i) Labour Cost Variances

= Std. Cost – Actual Cost

= 4,00,000– 3,69,000

= + 31,000(F)

(ii) Labour Rate Variance

= Actual Hours (Std. Rate – Actual Rate)

= 82,000 (5 - 4.50)

= 82,000 (0.50)

= + 41,000 (F)

(iii) Labour Efficiency Variance

= Std. Rate (Std. Hours- Actual Hours)

= 5 (80,000 – 82,000)

= 5 (-2,000)

= - 10,000 (U)

**(C) Variable Overhead Variance**

→ Std. Hours for Actual Production

| **Units** | **Hours** |
|---|---|
| 1 | 4 |
| 20,000 | ? |
| Ans.. | = 80,000 Hours |

**→ Prepare a table**

| **Standard** | | | **Actual** | | |
|---|---|---|---|---|---|
| Hours | Rate | Amount | Hours | Rate | Amount |
| 80,000 | 2.50 | 2,00,000 | 82,000 | 2.682 | 2,20,00 |

**→ Variable Overhead Variances**

(i) Variable Overhead Cost Variances

= Std. Cost – Actual Cost

= 2,00,000 – 2,20,000

= - 20,000(U)

(ii) Variable Overhead Expenditure Variance

= Actual Hours (Std. Rate – Actual Rate)

= 82,000 (2.50- 2.682)

= (82,000 × 2.50) – (82,000 × 2.682)

= 2,05,000 – 2,20,000 (Rounding Figures)

= - 15,000 (U)

(iii) Variable overhead Efficiency Variance

= Std. Rate (Std. Hours- Actual Hours)

= 2.50 (80,000 – 82,000)

= 2.50 (-2,000)

= - 5,000 (U)

**(D) Fixed Overhead Variances**

Budgeted Production = 25,000 units

Actual production = 20,000 units

Std. Rate = 20 Rs. Per unit

Budgeted Fixed Overhead = (25,000 × 20) = 5,00,000

Actual Fixed Overhead = 4,15,000

(i) Fixed overhead Total Cost Variances

= (Actual Pro. × Std. Rate) – Actual Fixed Overhead

= (20,000 × 20) – 4,15,000

= 4,00,000 – 4,15,000

= - 15,000(U)

(ii) Fixed Overhead Budget Variance

= Budget Fixed Overhead – Actual Fixed overhead

= 5,00,000 – 4,15,000

= + 85,000 (F)

(iii) Fixed Overhead Volume Variance

= Std. Rate (Actual Pro. – Budgeted Pro.)

= 20 (20,000 – 25,000)

= 20 (-5,000)

= - 1,00,000 (U)

**(E) Sales Profit Variances**

(i) Sales Price Variances

= Actual Sales Qty (Actual sales Price – Budgeted Sales Price)

= 20,000 (125 – 120)

= 2,000 (5)

= + 1,00,000(F)

(ii) Sales Margin Volume Variance

= Std. Profit per unit (Actual Qty – Budgeted Qty)

= 10 (20,000 – 25,000)

= - 50,000 (U)

**Step 4:- Statement of Reconcile the Budgeted Profit With Actual Profit:-**

| Particulars | Amount | Amount |
|---|---|---|
| Budgeted Profit | | 2,50,000 |
| Sales Price Variances | + 4,00,000 | |
| Sales Margin Volume Variance | - 50,000 | |
| Material Price Variance | + 62,000 | |
| Material Usage Variance | - 40,000 | |
| Labour Rate Variance | + 41,000 | |
| Labour Efficiency Variance | - 10,000 | |
| Variable O/h Expenditure Variance | - 15,000 | |
| Variable O/h Efficiency Variance | - 5000 | |
| Fixed O/h Budget Variance | + 85,000 | |
| Fixed O/h Volume Variance | - 1,00,000 | 68,000 |
| **Actual Profit** | | **3,18,000** |

**(B) Choose the correct option (any three)** **(3)**

(1) Material usage variance is

(a) (AQ × AP) – (SQ × SP) (b) (RSQ × SP) – (AQ × RSP)

(c) (AQ × SP) – (SQ × AP) **(d) (SQ × SP) – (AQ × SP)**

(2) Fixed budget variance is

(a) Budgeted cost – Standard cost

**(b) Budgeted cost – Actual cost**

(c) Actual Cost – Budgeted Cost

(d) (AQ × SR) – Actual Cost

(3) Idle time variance is

(a) Idle time × actual rate (b) Idle time × (1-P)

**(c) Idle time × standard rate** (d) Idle time × actual rate ×actual units

(4) Actual costs can be compared with _____ in order to Evaluate operating performance.

**(a) Standard cost** (b) Predetermined costs

(c) Actual Revenue (d) None of above

(5) The difference between hours paid and hours worked is known as

(a) Labour rates variance **(b) Idle time variance**

(c) Labour efficiency variance (d) None of above

Q4 :- (A) The trading results of Aditi Ltd. for the year 2017 and 2018 are as under :

| | **2017 (₹)** | **2018 (₹)** |
|---|---|---|
| Material consumed | 1,75,000 | 2,31,000 |
| Wages | 1,05,000 | 1,15,000 |
| Variable overheads | 21,000 | 24,500 |
| Fixed overheads | 35,000 | 42,000 |
| Net profit | 14,000 | 29,750 |
| Sales | 3,50,000 | 4,42,750 |

Material price and wage rates were increased in 2018 by 10% and sales Price were also increased by 10%. You are management accountant of the Company. The managing director of the company requests you to prepare a statement showing how much each factor contribution to the variation in Profit.

Ans :- **Sales Variance :-**

| 2017 years | | 2018 year |
|---|---|---|
| 3,50,000 | | 4,42,750 |

Sales Price increased by 10 %

If Price 100

+ Increase 10

Actual price 110

110 100

4,42,750 (?)

4,02,500

Sales Volume Variance

(4,02,500 – 3,50,000)

= +52,500 (F)

Sales Price Variance

(4,42,750 – 4,02,750)

= +40,250 (F)

Increase in sales volume in Percentage

3,50,000 52,500

100 (?)

= 15% increase in sales volume

| | |
|---|---|
| → Sales of year 2017 | 3,50,000 |
| Sales volume variance | + 52,500 |
| Sales Price variance | + 40,250 |
| Sales of year 2018 | 4,42,750 |

**Material :-**

| 2017 years | | 2018 year |
|---|---|---|
| 1,75,000 | | 2,31,000 |

Increased by 10 %

If Price 100

+ Increase 10

Actual price 110

110 100

2,31,000 (?)

2,31,000

Material Usage Variance
(1,75,000 – 2,10,000)
= - 35,000 (U)

Material Price Variance
(2,10,000 – 2,31,000)
= - 21,000 (U)

| | |
|---|---|
| Material of year 2017 | 1,75,000 |
| Material usage variance | - 35000 (U) |
| Material Price variance | - 21,000 (U) |
| Material of year 2018 | 2,31,000 |

**→ Labour :-**

Year 2017
1,05,000

Year 2018
1,15,000

Increase in
In volume
by 15%

Wage rate increased by 10%

| | | | |
|---|---|---|---|
| If Rate | 100 | 110 | 100 |
| + 10% increase | 10 | 1,15,000 | (?) |
| Actual | 110 | | = 1,00,000 |

100 115 |
1,05,000 (?)
= 1,20,750

Labour volume variance
(1,05,000 – 1,20,750)
= - 15,750 (U)

Labour efficiency wage
(1,20,750 – 1,00,000)
= + 20,750 (F)

Labour Rate Variance
(1,00,000 – 1,15,000)
= - 15,000 (U)

| | |
|---|---|
| Wages for the year 2017 | 1,05,000 |
| Wages volume variance | - 15,750 (U) |
| Wages efficiency variances | + 20,750 (F) |
| Wages Rate variances | - 15,000 (U) |
| Wages for year 2018 | 1,15,000 |

**→ Variable overhead**

Year 2017
21,000

Year 2018
24,500

Increase in volume by 15%

100 115
21,000 (?)

= 24,150

Variable o/h Volume variance

(21,000 – 24,150)

= - 3,150 (U)

Variable O/h efficiency variance

(24,150 – 24,500)

= - 350 (U)

| | |
|---|---|
| Variable Overhead of year 2017 | 21,000 |
| Variable Overhead volume variances | - 3,150 (U) |
| Variable Overhead efficiency variances | - 350 (U) |
| Variable overhead of year 2018 | 24,500 |

**→ Fixed overhead :-**

Year 2017

35,000

Year 2018

42,000

Fixed overhead variances :- (35,000 – 42,000) = - 7,000 (U)

| | |
|---|---|
| Fixed overhead for the year 2017 | 35000 |
| Fixed overhead cost variance | - 7,000 |
| Fixed overhead for the year 2018 | 42,000 |

**→ Statement showing the variation of Both years**

| **Particulars** | **Amount** | **Amount** |
|---|---|---|
| Profit for the year 2017 | | 14,000 |
| Sales Price variances | + 52,500 | |
| Sales Price variances | + 40,250 | |
| Material usage variances | - 35,000 | |
| Material Price variances | - 21,000 | |
| Labour volume variances | - 15,750 | |
| Labour efficiency variances | + 20,750 | |
| Labour Rate variances | - 15,000 | |

| | | |
|---|---|---|
| Variable O/h volume variances | - 3,150 | |
| Variable O/h efficiency variances | - 350 | |
| Fixed O/h cost variances | - 7000 | 16,250 |
| **Profit for the year 2018** | | **30,250** |

**(B) Choose the correct option (any three)**

(1) In the formula, C <(1 – P) L, "L" denotes

(a) Net loss from investigation

**(b) Net benefit from investigation**

(C) Cost of investigation

(d) None of the above

(2) (1- P) =

(a) Probability that variance is uncontrollable.

**(b) Probability that variance is controllable.**

(c ) Probability that the process is in control.

(d) None of these

(3) CUSUM chart is used for

**(a) Control chart models**

(b) Materiality significance model

(c) Statistical significance model

(d) All of above

(4) $\bar{X}$ control chart is used for

**(a) Control chart model** (b) Statistical significance model

(c) Material control model (d) All of above

(5) Which of the following is not a cost- variance investigation model ?

**(a) Profit volume model** (b) Cost benefit decision model

(c) Control charts model (d) Materiality significance model