

## Department of MBA

### MBA Mid Question Bank (R22 Regulation)

Academic Year: 2024-25

Semester: III

Subject Name: Strategic Cost and Management Accounting (22MB332PE)

Faculty Name: Dr. S NAYAMATH BASHA

#### PART-A

Q. No	Questions	Marks	BL	CO	Unit No									
1	Distinguish cost analysis from cost control.	2M	L4	CO1	I									
2	Explain the concept of cost relevancy.	2 M	L2	CO1	I									
3	Write a note on classification of overheads.	2 M	L2	CO1	I									
4	Distinguish between direct and indirect expenses.	2 M	L2	CO1	I									
5	Describe the methods for absorption of overhead costs.	2M	L4	CO1	I									
6	What is secondary distribution of overheads? How does it differ from primary distribution of overheads?	2 M	L2	CO1	I									
7	Outline the objectives of job costing.	2 M	L1	CO2	II									
8	What do you understand by Inter-process profits?	2 M	L5	CO2	II									
9	Distinguish between normal loss and abnormal loss.	2 M	L2	CO2	II									
10	Estimate fixed cost from the following data. <table border="1"><thead><tr><th>Year</th><th>Sales (Rs)</th><th>Profit (Rs)</th></tr></thead><tbody><tr><td>2021</td><td>40,000</td><td>10,000</td></tr><tr><td>2022</td><td>50,000</td><td>15,000</td></tr></tbody></table>	Year	Sales (Rs)	Profit (Rs)	2021	40,000	10,000	2022	50,000	15,000	2 M	L2	CO2	II
Year	Sales (Rs)	Profit (Rs)												
2021	40,000	10,000												
2022	50,000	15,000												
11	The VCPU = Rs.10, FCPU= Rs.3 for a component when produced within the plant. The same component is available in the market at Rs.11. The management has decided to make it in the plant instead of buying it from the market. Appraise the decision of the management.	2M	L5	CO2	II									
12	Discuss the usefulness of marginal costing in fixing the price under different market conditions.	2M	L2	CO2	II									
13	Discuss the operating income equation method of determining BEP.	2 M	L2	CO3	III									
14	A product is sold at a price of Rs. 120 per unit and its variable cost is Rs. 80 per unit. The fixed expenses of the business are Rs 8,000 per year. Find BEP in Rupees and units by using contribution margin method.	2 M	L3	CO3	III									
15	Distinguish between target operating income and Target Net Operating Income.	2M	L5	CO3	III									
<b>UPTO MID-I</b>														
16	Write a short note on different levels of activities used in ABC System.	2 M	L1	CO3	III									
17	Mention different types of activity cost drivers with suitable examples.	2 M	L1	CO3	III									
18	Discuss about customer profitability and process efficiency.	2M	L2	CO3	III									

19	Distinguish between master budget from functional budget.	2 M	L1	CO4	IV
20	Differentiate between fixed and flexible budgets.	2 M	L4	CO4	IV
21	What do you understand by Principal Budget Factor?	2 M	L2	CO4	IV
22	List out the main purposes of Performance Budgeting.	2 M	L2	CO4	IV
23	Discuss the control ratios used in budgetary control.	2M	L2	CO4	IV
24	Compare and contrast cost audit with management audit.	2M	L2	CO4	IV
25	Distinguish standard cost from estimated cost.	2 M	L5	CO5	V
26	Distinguish standard costing from budgetary control.	2 M	L5	CO5	V
27	Distinguish standard costing from marginal costing.	2 M	L5	CO5	V
28	Describe the formulae that are used while computing material variances.	2 M	L2	CO5	V
29	Describe the formulae that are used while computing sales variances.	2M	L2	CO5	V
30	Discuss the process of reconciling budgeted and actual profit.	2M	L2	CO5	V

### PART-B

Q. No	Questions	Marks	BL	CO	Unit No
1	Write a note on the classification of costs.	4 M	L4	CO1	I
2	Distinguish between financial accounting and management accounting.	4 M	L5	CO1	I
3	Distinguish between cost accounting and management accounting.	4 M	L4	CO1	I
4	Discuss the methods for apportionment of overhead costs.	4M	L2	CO1	I
5	Discuss the role of management accountant while making strategic decisions.	4M	L2	CO1	I
6	Explain the role of accounting information in planning and control.	4M	L2	CO1	I
7	How do companies enhance the value of their management accounting systems? Explain.	8M		CO1	I
8	<p>The Modern Company is divided into four departments: A, B and C are producing departments, and D is a service department. The actual costs for a period are as follows:</p> <ul style="list-style-type: none"> <li>• Rent Rs.1000</li> <li>• Repairs to Plant Rs.600</li> <li>• Supervision Rs.1500</li> <li>• Power Rs.900</li> <li>• Depreciation of Plant Rs.450</li> <li>• Light Rs.120</li> <li>• Employers' liability for insurance Rs.150</li> <li>• Fire Insurance in respect of Stock Rs.500</li> </ul> <p>The following information is available in respect of the four departments.</p>	8 M	L3	CO1	I

	Dept. A	Dept. B	Dept. C	Dept. D																									
	Area (sq. mtrs)	1,500	1,100	900	500																								
	Number of Employees	20	15	10	5																								
	Total Wages (Rs.)	6,000	4,000	3,000	2,000																								
	Value of Plant (Rs.)	24,000	18,000	12,000	6,000																								
	Value of stock (Rs.)	15,000	9,000	6,000	-																								
	H.P. of Plant	24	18	12	6																								
	Apportion the costs to the various departments on the most equitable basis.																												
9	<p>A machine is purchased for cash at Rs.9, 200. Its working life is estimated to be 18,000 hours after which its scrap value is estimated at Rs.200. it is assumed from past experience that:</p> <ul style="list-style-type: none"> <li>The machine will work for 1, 800 hours annually.</li> <li>The repair charges will be Rs.1, 800 for the entire life period of the machine.</li> <li>The power consumption will be 5 units per hour @ 6 paisa per unit.</li> </ul> <p>Other annual standing charges are;</p> <ul style="list-style-type: none"> <li>Rent of department (machine occupies 1/5th of total space) = Rs. 780</li> <li>Light (12 points in the department-2 points engaged in the machine) = Rs. 288</li> <li>Foreman's salary (1/4th of his time is occupied in the machine) = Rs. 6000</li> <li>Insurance premium (fire) for machinery = Rs. 36</li> <li>Cotton waste = Rs. 60</li> </ul> <p>Find out the <b>machine hour rate</b> on the basis of above data.</p>				8 M	L3	CO1	I																					
10	Distinguish between job costing and process costing.				4 M	L5	CO2	II																					
11	Elucidate various methods for apportionment of joint costs with their merits and demerits.				4 M	L2	CO2	II																					
12	Explain various methods of valuation of by-products?				4 M	L2	CO2	II																					
13	<p>For a firm, Fixed cost = Rs. 8,000, Break-even point = Rs. 20,000, and Variable cost = Rs. 60 per unit. From the above particulars, calculate:</p> <ul style="list-style-type: none"> <li>P / V Ratio,</li> <li>Profit when sales are Rs. 40,000, and</li> <li>New break-even point if selling price is reduced by 10%.</li> </ul>				4 M	L3	CO2	II																					
14	Draw the proforma of cost sheet.				4 M	L2	CO2	II																					
15	<p>The following data is extracted from the records of X. Ltd.</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Product - A</th> <th>Product - B</th> </tr> </thead> <tbody> <tr> <td>Selling Price Per Unit (Rupees)</td> <td>100</td> <td>110</td> </tr> <tr> <td>Materials Consumed Per Unit (KG)</td> <td>5</td> <td>4</td> </tr> <tr> <td>Material Cost Per Unit (Rupees)</td> <td>24</td> <td>14</td> </tr> <tr> <td>Direct Wages Per Unit (Rupees)</td> <td>2</td> <td>3</td> </tr> <tr> <td>Machine Hours Used Per Unit (Hours)</td> <td>2</td> <td>3</td> </tr> <tr> <td>Variable Overheads Per Unit (Rupees)</td> <td>4</td> <td>6</td> </tr> </tbody> </table> <p>Comment on the profitability of each product when (i) Raw material is in shortage, (ii) Production capacity is in shortage, (iii) Total sales in units is a key factor, and (iv) Total sales in value is a key factor.</p>				Particulars	Product - A	Product - B	Selling Price Per Unit (Rupees)	100	110	Materials Consumed Per Unit (KG)	5	4	Material Cost Per Unit (Rupees)	24	14	Direct Wages Per Unit (Rupees)	2	3	Machine Hours Used Per Unit (Hours)	2	3	Variable Overheads Per Unit (Rupees)	4	6	4M	L3	CO2	II
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16	<p>A company produces and markets Product –X. Due to competition, the company proposes to reduce the selling price. If the present level of profit is to be maintained, determine the number of units to be sold if the proposed reduction in the selling price is (i) 5%, (ii) 10%, (iii) 15%. The relevant financial data is as follows.</p> <ul style="list-style-type: none"> <li>• Present sales turnover (30,000 units) = Rs. 3,00,000</li> <li>• Variable Cost (30,000 units) = Rs. 1,80,000</li> <li>• Fixed Cost = Rs. 70,000</li> <li>• Net Profit = Rs. 50,000</li> </ul>	8 M	L3	CO2	II																																				
17	<p>A firm can purchase a spare part from an outside supplier @ Rs. 11 per unit. But, there is a proposal before the management to produce it within the factory itself. For this purpose, a machine costing Rs. 1, 00, 000 with annual capacity of 20,000 units and a life of 10 years is required to be purchased and installed. A foreman with a monthly salary of Rs. 500/- is to be engaged. Material cost will be Rs. 4 per unit, labour cost will be Rs. 2 per unit, and variable overheads will be 150% of labour charges. The firm can raise the funds @ 10% pa. Advise the firm, whether the proposal should be accepted or not?</p>	8M	L3	CO2	II																																				
18	<p>The financial particulars of three products viz. A, B and C of a concern are given below.</p> <table border="1" data-bbox="316 969 1066 1205"> <thead> <tr> <th>Particulars</th> <th>A</th> <th>B</th> <th>C</th> </tr> </thead> <tbody> <tr> <td>No. of Units Produced</td> <td>10,000 Units</td> <td>5,000 Units</td> <td>8,000 Units</td> </tr> <tr> <td>Selling Price Per Unit</td> <td>Rs. 32</td> <td>Rs. 30</td> <td>Rs. 26</td> </tr> <tr> <td>Direct Material Per Unit</td> <td>Rs. 10</td> <td>Rs. 8</td> <td>Rs. 9</td> </tr> <tr> <td>Direct Labour Per Unit</td> <td>Rs. 6</td> <td>Rs. 7</td> <td>Rs. 6</td> </tr> <tr> <td>Variable Expenses Per Unit</td> <td>Rs. 4</td> <td>Rs. 5</td> <td>Rs. 3</td> </tr> <tr> <td>Fixed Expenses Per Unit</td> <td>Rs. 3</td> <td>Rs. 3</td> <td>Rs. 2</td> </tr> <tr> <td>Total Cost Per Unit</td> <td>Rs. 23</td> <td>Rs. 23</td> <td>Rs. 20</td> </tr> <tr> <td>Profit Per Unit</td> <td>Rs. 9</td> <td>Rs. 7</td> <td>Rs. 6</td> </tr> </tbody> </table> <p>The production system of the concern is such that if one product is dropped, the production of other two products raises by 50% of their respective capacities. The management of the concern propose to drop Product – C as it has lowest contribution. Critically evaluate the proposal and recommend the product to be dropped out of these three products.</p>	Particulars	A	B	C	No. of Units Produced	10,000 Units	5,000 Units	8,000 Units	Selling Price Per Unit	Rs. 32	Rs. 30	Rs. 26	Direct Material Per Unit	Rs. 10	Rs. 8	Rs. 9	Direct Labour Per Unit	Rs. 6	Rs. 7	Rs. 6	Variable Expenses Per Unit	Rs. 4	Rs. 5	Rs. 3	Fixed Expenses Per Unit	Rs. 3	Rs. 3	Rs. 2	Total Cost Per Unit	Rs. 23	Rs. 23	Rs. 20	Profit Per Unit	Rs. 9	Rs. 7	Rs. 6	8M	L3	CO2	II
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19	<p>From the following figures ascertain the break-even sales by means of a graph. The particulars are;</p> <ul style="list-style-type: none"> <li>• Sales = 20,00,000</li> <li>• Fixed Costs = 5,00,000</li> <li>• Variable costs = 12,00,000</li> </ul>	4 M	L3	CO3	III																																				
20	<p>Jawaharlal Nehru Technological University has an annual budget of Rs. 1, 00, 00, 000/- for M.Sc. Scholarships. It provides the scholarship of Rs. 30,000 per each student per year. The fixed cost of the program is Rs. 10, 00, 000/-. Then find out;</p> <ul style="list-style-type: none"> <li>• How many students can get scholarship?</li> <li>• If the budget for the next year drops by 30%, then how many students can get the scholarship in the next year?</li> </ul>	4 M	L3	CO3	III																																				
21	<p>Write a note on application of CVP analysis in Service</p>	4 M	L2	CO3	III																																				

	Organizations																																		
22	Discuss the advantages and limitations of break even chart.	4 M	L2	CO3																															
23	Discuss the relationship among Angle of Incidence, Break-Even Sales and Margin of Safety Sales with suitable examples.	4 M	L2	CO3	III																														
<b>UPTO MID-I</b>																																			
24	Explain the stages in the Process of developing ABC system.	4M	L2	CO3	III																														
25	Differentiate between Activity Based Costing and Traditional Costing.	4 M	L2	CO3	III																														
26	<p>A company manufacturing two products furnished the following data for a year.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Product</th> <th>Annual Output</th> <th>Total Labour Hours</th> <th>Total Machine Hours</th> <th>Total Purchase Orders</th> <th>Total Number of Setups</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>5,000 units</td> <td>20,000</td> <td>20,000</td> <td>160</td> <td>20</td> </tr> <tr> <td>B</td> <td>60,000 units</td> <td>30,000</td> <td>1,20,000</td> <td>384</td> <td>44</td> </tr> </tbody> </table> <p>The annual overheads are as under:</p> <p>Volume related activity costs                      Rs. 5,50,000  Set up related costs                                      Rs. 8,20,000  Purchase related costs                                  Rs. 6,18,000</p> <p>Calculate the overhead cost per unit of each product by using</p> <ul style="list-style-type: none"> <li>• Traditional method of charging overheads</li> <li>• Activity based costing method.</li> </ul>	Product	Annual Output	Total Labour Hours	Total Machine Hours	Total Purchase Orders	Total Number of Setups	A	5,000 units	20,000	20,000	160	20	B	60,000 units	30,000	1,20,000	384	44	4M	L3	CO3	III												
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27	Discuss the advantages and disadvantages of ABC systems	4 M	L2	CO3	III																														
28	Discuss the pre-requisites for effective ABC system.	4 M	L2	CO3	III																														
29	Discuss the various prerequisites for effective budgetary control system.	4 M	L2	CO4	IV																														
30	Explain the process of budgetary control with suitable examples.	4M	L2	CO4	IV																														
31	Write the classification of budgets.	4M	L2	CO4	IV																														
32	Define Zero Based Budgeting. Explain its benefits and drawbacks.	4M	L2	CO4	IV																														
33	Explain the budgeting process in non-profit organizations.	4M	L2	CO4	IV																														
34	Explain the concept of 'Activity Based Budgeting'.	4M	L2	CO4	IV																														
35	<p>You are required to prepare a cash budget for the three months i.e. <i>June, July and August</i> on the basis of following information.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Month</th> <th>Credit Sales (Rs.)</th> <th>Raw Material (Rs.)</th> <th>Labour Expenses (Rs.)</th> <th>Manufacturing Expenses (Rs.)</th> </tr> </thead> <tbody> <tr> <td>April</td> <td>2,40,000</td> <td>1,68,000</td> <td>20,000</td> <td>14,000</td> </tr> <tr> <td>May</td> <td>2,60,000</td> <td>2,00,000</td> <td>24,000</td> <td>16,000</td> </tr> <tr> <td>June</td> <td>1,60,000</td> <td>2,08,000</td> <td>16,000</td> <td>12,000</td> </tr> <tr> <td>July</td> <td>2,32,000</td> <td>2,12,000</td> <td>20,000</td> <td>24,000</td> </tr> <tr> <td>August</td> <td>1,76,000</td> <td>1,60,000</td> <td>16,000</td> <td>12,000</td> </tr> </tbody> </table> <p><b>Additional Information:</b></p> <ul style="list-style-type: none"> <li>• Opening balance of cash on 1<sup>st</sup> June = Rs. 10,000.</li> <li>• Machinery purchased of Rs. 50,000 in August, out of which 10 % is to be paid in cash while rest is paid after one month.</li> </ul>	Month	Credit Sales (Rs.)	Raw Material (Rs.)	Labour Expenses (Rs.)	Manufacturing Expenses (Rs.)	April	2,40,000	1,68,000	20,000	14,000	May	2,60,000	2,00,000	24,000	16,000	June	1,60,000	2,08,000	16,000	12,000	July	2,32,000	2,12,000	20,000	24,000	August	1,76,000	1,60,000	16,000	12,000	8M	L3	CO4	IV
Month	Credit Sales (Rs.)	Raw Material (Rs.)	Labour Expenses (Rs.)	Manufacturing Expenses (Rs.)																															
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	<ul style="list-style-type: none"> <li>• Advance tax is to be paid in the month of June = Rs. 5,000.</li> <li>• Credit period allowed as follow: (a) for customers – 2 months, (b) for suppliers – 1 month.</li> <li>• Rent is to be received in the month of July = Rs. 10,000.</li> </ul>																						
36	<p>The expenses budgeted for the production of 10, 000 units are as follows.</p> <table border="1"> <thead> <tr> <th>Expense</th> <th>Per Unit Cost</th> </tr> </thead> <tbody> <tr> <td>Material cost</td> <td>Rs. 70</td> </tr> <tr> <td>Labour cost</td> <td>Rs. 25</td> </tr> <tr> <td>Variable factory over head</td> <td>Rs. 20</td> </tr> <tr> <td>Fixed over head (Rs. 1,00,000)</td> <td>Rs. 10</td> </tr> <tr> <td>Variable expenses(Direct)</td> <td>Rs. 5</td> </tr> <tr> <td>Selling expenses (20% fixed)</td> <td>Rs. 15</td> </tr> <tr> <td>Distribution overhead (10% fixed)</td> <td>Rs. 10</td> </tr> <tr> <td>Administration expenses (Rs, 50,000)</td> <td>Rs. 5</td> </tr> </tbody> </table> <p>Prepare a flexible budget for the production of 8,000 and 12,000 units.</p>	Expense	Per Unit Cost	Material cost	Rs. 70	Labour cost	Rs. 25	Variable factory over head	Rs. 20	Fixed over head (Rs. 1,00,000)	Rs. 10	Variable expenses(Direct)	Rs. 5	Selling expenses (20% fixed)	Rs. 15	Distribution overhead (10% fixed)	Rs. 10	Administration expenses (Rs, 50,000)	Rs. 5	8M	L3	CO4	IV
Expense	Per Unit Cost																						
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37	<p>The following data is extracted from the books of a X Ltd., for 6 months of 2021 in respect of product X: The following units are to be sold in different months of the year 2021:</p> <table border="1"> <tbody> <tr> <td>January</td> <td>2,200</td> </tr> <tr> <td>February</td> <td>2,200</td> </tr> <tr> <td>March</td> <td>3,400</td> </tr> <tr> <td>April</td> <td>3,800</td> </tr> <tr> <td>May</td> <td>5,000</td> </tr> <tr> <td>June</td> <td>4,600</td> </tr> <tr> <td>July</td> <td>4,000</td> </tr> </tbody> </table> <p>There will be work in progress at the end of the month. Finished units are equal to half the sales of the next month's stock at the end of every month (including December. 2004). Budgeted production and production cost for the half-year ending 30th June, 2005 are as follows:  Production (units) = 40,000  Direct material per unit = Rs. 5  Direct wages per unit = Rs. 2  Factory Overheads apportioned to production = Rs.1,60,000  You are required to prepare Product Budget and Production Cost Budget for the six months of year 2021.</p>	January	2,200	February	2,200	March	3,400	April	3,800	May	5,000	June	4,600	July	4,000	8M	L3	CO4	IV				
January	2,200																						
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38	Discuss the advantages of standard costing.	4 M	L2	CO5	V																		
39	Explain the process of establishing the standard cost for the products.	4 M	L2	CO5	V																		
40	Discuss the limitations of standard costing.	4M	L2	CO5	V																		
41	Explain the different types of Standards.	4M	L2	CO5	V																		
42	Explain the uses of variance analysis.	4M	L2	CO5	V																		
43	Write a note on sales variance analysis based on (i) Profit Method and (ii) Value Method	4M	L2	CO5	V																		
44	<p>Calculate different fixed overhead variances from the following particulars.</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Budgeted</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Number of Working Days</td> <td>25</td> <td>27</td> </tr> </tbody> </table>	Particulars	Budgeted	Actual	Number of Working Days	25	27	8 M	L3	CO5	V												
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	<table border="1"> <tr> <td>Production (in Units)</td> <td>20,000</td> <td>22,000</td> </tr> <tr> <td>Fixed Overheads Cost (Rs.)</td> <td>30,000</td> <td>34,000</td> </tr> </table> <ul style="list-style-type: none"> <li>Budgeted Fixed Overhead Cost Rate = Rs. 1 Per Hour</li> <li>Actual Hours Worked = 31,5000</li> </ul>	Production (in Units)	20,000	22,000	Fixed Overheads Cost (Rs.)	30,000	34,000																											
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Fixed Overheads Cost (Rs.)	30,000	34,000																																
45	<p>A gang of workers normally consists of 60 skilled, 30 semiskilled, and 20 unskilled workers who are paid at a standard rate of Rs. 0.80, Rs. 0.60, and Rs 0.40 per hour respectively. In a normal working week of 40 hours, the gang is expected to produce 4,000 units of output.</p> <p>During the week ended with 31 Dec, 2002, the gang consisted of 80 skilled, 20 semiskilled, and 10 unskilled workers who are paid at a rate of Rs. 0.70, Rs. 0.65, and Rs 0.30 per hour respectively, have produced 3,200 units of output. Four hours were lost due to abnormal idle time. Calculate different labour variances.</p>	8 M	L3	CO5	V																													
46	<p>From the following particulars, compute the different material variances.</p> <table border="1"> <thead> <tr> <th rowspan="2">Material</th> <th colspan="2">Standard</th> <th colspan="2">Actual</th> </tr> <tr> <th>Quantity (KG)</th> <th>Price (Rs.)</th> <th>Quantity (KG)</th> <th>Price (Rs.)</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>10</td> <td>3</td> <td>15</td> <td>4</td> </tr> <tr> <td>B</td> <td>15</td> <td>4</td> <td>25</td> <td>3</td> </tr> <tr> <td>C</td> <td>25</td> <td>2</td> <td>35</td> <td>2</td> </tr> <tr> <td></td> <td>50</td> <td></td> <td>75</td> <td></td> </tr> </tbody> </table>	Material	Standard		Actual		Quantity (KG)	Price (Rs.)	Quantity (KG)	Price (Rs.)	A	10	3	15	4	B	15	4	25	3	C	25	2	35	2		50		75		8M	L3	CO5	V
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