**1. a) What do you mean by abnormal loss?**

**Ans**: Abnormal loss is that loss or wastage which is in excess of normal or estimated loss. It arises due to some unforeseen or abnormal conditions such as fire, machine break-down, negligence on the part of the workers, bad design etc.. It can be contolled and avoided.

**b) What is retention money?**

**Ans:** Retention money is the sum or the portion of the amount of work certified retained by the contractee.

**c) Which method of costing do you suggest for:**

**Ans: i) Pharmaceutical industry** - Batch Costing

**ii) Hospital** - Operating costing.

**d) Define Break-even point.**

**Ans:** Break even point represents that volume of sales or production where there is no profit no loss.

**e) Give the meaning of variance**

**Ans:** Variance is the difference between the predetermined standard and the actuals results for a period.

**f) What is notional profit?**

**Ans:** Notional profit is the profit of an incomplete contract.

OR

Notional profit i.e the difference between wok in progress and cost of contract to date.

**g) Define budget**

**Ans:** According to George R "Budget is an estimate of future needs arranged according to an orderly basis".

**h) What do you mean by master budget?**

**Ans:** It is the aggregation of all lower level budgets produced by

2.



various functional areas as of a company

**i) Give the meaning of joint cost.**

**Ans:** It is cost incurred in a joint process. It includes material labour and overheads incurred during joint production process.

**j) What is meant by Batch costing?**

**Ans:** Batch costing is that form of specific order costing which applies where similar articles are manufactured in batches either for sale or for use within the undertaking.

**k) Define management accounting**

**Ans:** According to ICMA London, management accounting is 'the application of professional knowledge and skill in the preparation of accounting information in such a way as to assist management in the formation of policies, and in the planning and control of the operations of the undertaking.

**l) What is a key factor?**

**Ans:** A limiting factory on sales volume, production material, labour and so on,

**5. What are the advantages and limitations of uniform costing?**

**Ans: The following are various advantages of uniform costing:**

1. Uniform costing helps member firms to adopt one of the best methods of cost accounting system known to the industry. This estimates unsound methods and also saves cost required in perfecting system through expensive trail and error or experimentation.

2.Uniform costing tend to convince the member firm for adoption of method used by the competitors.

3.Uniform costing develops better inforned and healthy competition within the industry which results in control and reduction of cost.

4.Uniform costing provides the members with all benifits of sound costing system. On the basis of available relaible cost information, product pricing is taken up on sound basis.

5.Uniform costing system reveals profitable products or product lines and provides valuable information to strengthen them.

6.Uniform costing also creates confidence in the customers that prices have been fixed with relaible data of costs.

7. uniform costing enables regulatory bodies and government to collect required data relating to the industry.

**The following are various limitations of uniform costing:**

1. sharing of confidential data with other competitors in the industry;

2. Accounting inconveniences arising out of each individual unit having own principle and practice which may be different.

3. From the standpoint of the society, the disadvantage of uniform costing is formation of trade association by firm's just too restraining trade and impending competition.

4. Uniform costing generally creates conditions which develop monopolistic tendencies under trade association. These associations may raise prices arbitrarily.

**6. Distinguish between financial accounting and management accounting**

**Ans:The following various differences between financial and managerial accounting:**

* **Aggregation:** Financial accounting reports on the results of an entire business. Managerial accounting almost always reports at a more detailed level, such as profits by product, product line, customer, and geographic region.

* **Efficiency:** Financial accounting reports on the profitablity (and therefore the efficiency) of a business, whreas mananagerial accounting reports on specifically what is causing problems and how to fix them.

* **Proven information:** Financial Accountingf requires that records be kept with considerable precision, which is needed to prove that the finacial statements are correct. Managerial accounting frequently deals with estimates, rather than proven and verifiable facts.

* **Reporting focus:** Financial Accounting is oriented towards the creation of financial statements, which are distributed both within and outside of a company. Managerial accounting is more concerned with operational reports, which are only distributed within a company.

* **standards:** Financial accouting must comply with various accounting standards when information is complied for internal consumption.

* **Systems:** Financial Accounting pays no attention to the overall system that a comany has for generating a profit, only its outcome. Conversely, managerial accounting is interested in the location of bottleneck operations, and the various ways to enhance profits by resolving bottleneck issues.

* **Time period:** Finacial acounting is concerned with the financial results that a business has already achieved, so it has a historical orientation. Managerial accounting may address budgets and forecasts, and so can have a future orientation.

**g) Define uniform costing.**

**Ans:** It is the application of same costing principles, methods or procedures uniformly by various understandings in the same industry.

**h) Give the meaning of Zero based budgeting**

**Ans:** Zero-base budgeting is a technique of preparing the budget

**Ans** : Repeated in Question Pape...

**5. Bring the causes or difference in profits shown by financial account and cost account.**

**Ans: 1. Items shown only in Financial Accounting:** There are certain items of incomes and expenditures which are shown only in financial accounts not in cost accounts. As a result, the profit or loss as per cost accounts would be quiet different from the profit or loss as per the fnancial accounts.

**2. Items shown only in cost account:** There are very few items, which are shown in cost acccounts but not in the finacial accounts as they do not represent any transaction with outsiders. These items are also responsible for the disagreemnt of the results shown by the two sets of accounts.

**3. Over or Under absorption of overhead:** In cost account, Overheads are charged on the basis of predetermined percentage. But in financial account they are charged with the actual amount. The results over or under absorption of overheads in cost account and may be the main reason for difference in profits disclosed by cost account and finacial account.

**4. Difference in Valuation of stock :** In financial account, stock are valued at cost or market price, whwnevwe is lower, but in cost account, stocks are valued only at its cost price. This result in some difference in result i.e. profit or loss.

**5. difference method of charging depreciation:** Thre are different methods of charging depreciation. In financial account, depreciation may be calculated on straight line or deminishing balance method as per income Tax Act. But in cost account, depreciation is calculated on the basis of use of the asset.( generally machine hours.)

**6. Abnormal gains and losses :** Abnormal gains and losses are shown in financial account while they are completely excluded from cost account. Goods lost by fire, theft, accident or costs of abnormal idle time are examples of abnormal losses, which are shown in financial account but not in cost account. Such abnormal gains and losses also lead to disagreement of cost and financial account results.

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