

CA Intermediate (New Syllabus) Cost & Management Accounting

Errors in New Module of ICAI (October, 2020 edition)

Dear Student Friends,

First of all, I must congratulate ICAI for constantly striving hard to make further improvements in study material and trying to make it error free. But, the TQM principle says that "There is always a scope for improvement". Hence, this effort ...

After going through the new module released by ICAI in October, 2020; I noticed certain errors like : (a) Printing errors (b) Calculation errors (c) Conceptual errors (d) Grammatical errors and (e) Differences of opinion etc.

I am doing correspondence with BOS, ICAI about it. After a lot of efforts, they acknowledged only the receipt of my email and promised me that they will look in to the matter. I have offered them my full support to make the module error free. Faculty members at BOS of ICAI will take its own sweet time to understand my point of view and then they may come out with the 'Corrigendum to study material' in due course of time.

Till that time, you will also try to compare my views and ICAI views from the new study material. If you find that my point of view is valid, then you should also write an email to BOS, ICAI at this email address : **cma-inter@icai.in**

Please remember that you will not get any response or acknowledgement from ICAI. But still do it. When lot of students write an email about the same thing to ICAI, then only it makes the impact. Hence, students unity is important.

One more purpose of preparing the following table of errors is that - when the students compare what a faculty has taught in the classroom with what is written in the module, then they get fully confused. The table below will help you to minimise such confusion and will improve your conceptual understanding of the subject.

Your personal views, suggestions and feedback are always welcome for making further improvement. You may personally write to me on my email : **ngp.rakesh@gmail.com**

Please go through the following table very carefully and not casually. Sit with the new study material and try to understand both points of view. It is possible that, I might have also made an error somewhere. I am ready to accept and correct it. Please bring it to my notice using the above email address. I would also request BOS, ICAI to enrich / correct me if my views are wrong. I would love to remove some of my misconceptions or wrong notions.

I hope my efforts will help students community as well as ICAI in doing rectification of errors.

CA Rakesh Agrawal, Pune

S.N.	Module Page No.	ICAI Views and My Views
Chapter 1 - Introduction to Cost & Management Accounting :		
1.	1.6	<p>1.2.1 : Difference between cost control and cost reduction</p> <p>ICAI View : At point no. 4, it is mentioned that Cost Control is a preventive function and Cost Reduction is a corrective function.</p> <p>My View : Cost Control is a corrective function, because we first identify the errors and then we correct it like standard costing technique. Cost Reduction is a preventive function, because it is an innovative solution, which will help us to reduce future costs.</p>
Chapter 2 - Material Cost :		
2.	2.13	<p>Point no. (xvii) Shortage : It is mentioned in the module that breaking of bulk quantity is a shortage due to normal reason.</p> <p>My View : Breaking of bulk, means breaking of huge quantity and not a small quantity. It may happen only due to accident or careless handling of material. I think, it should be treated as abnormal loss.</p>
3.	2.24	<p>Point no. (vii) Buffer Stock : In the module, Danger level and Buffer stock are written separately.</p> <p>My View : In my opinion, both are same i.e. Danger level = buffer stock.</p>
4.	2.34	<p>Solution of Illustration 8 : In the module, cumulative total of no. of units of each item is taken to calculate the % of total units for ABC analysis.</p> <p>My View : The total of no. of items should be taken and not no. of units of each item. There are total 12 varieties of items and hence each item is 8.33% of the total no. of items.</p> <p>The units are given for multiplying it by unit cost, so that we can calculate the total value of consumption during the year.</p> <p>It is possible that some of the items may be measured in number of units, some are measured in kgs., some in litres, some in meters etc. How, one can take the total of these quantities?</p> <p>However, ICAI module has done it correctly in illustration 9 but not in illustration 8. Difference in their own approach.</p>
5.	2.59	<p>Solution of Illustration 14 : The module has treated material issued between two requisition dates as material consumed during that period. And based on this, the speed of consumption i.e. usage rate is calculated.</p> <p>My View : Material issued is not necessarily the material consumed. It is possible to issue material to one department on one date and to another department on another date. There might be a sock lying out of material issued to a particular department.</p> <p>Due to the above error in assumption by ICAI, all the answers calculated are either wrong or illogical. For example - Reorder level is higher than Maximum stock level. Minimum stock level as per the formula is 42,000 units, whereas if you check the balance stock in 'Stores Ledger', then you will notice that the stock level is constantly below the Minimum level and fresh order is never given at Reorder level. Everything seems difficult to justify and convince.</p> <p>Suggestion : Either delete this question from module or provide the information regarding usage rates.</p>

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6.	2.70	MCQ No. 3 : ICAI answer is (c) My View : The answer should be (b) i.e. Pilferage.
7.	2.71	MCQ No. 10 : ICAI answer is (b) My View : The answer should be (a) If material is issued from stores to production process, then we use Material Requisition Note. However, when we transfer the material between the two process, we use Material Transfer Note.
8.	2.80	Answer of Q.5(a) : No. of orders are rounded off to higher side to calculate the 'Ordering Cost of Inventory'. The justification is also given below the table that the orders cannot be in decimals. My View : It is true that the orders cannot be in decimals. However, 'Ordering Cost' is to be calculated on accrual basis of one year only. For example - if order size is 2,000 units, then we will place 3 orders of 2,000 units each = 6,000 units in total. However, we will consume only 5,000 units in one year and balance 1,000 units in the next year. Hence, cost of only 2.5 orders should be considered in one year, using accrual concept. The fraction order is correct for cost calculation purpose only. Practically, we will not give fraction order. Self conflict : There is similar concept of EBQ in 'Batch Costing'. On page 8.13, the solution of illustration 7 is given. In this table, Set-up cost p.a. is calculated correctly by considering no. of batches in fraction.
Chapter 3 - Employee Cost / Labour Cost :		
9.	3.20	Solution of illustration 4 : Error in calculation of Worker B & C. ICAI View : It is mentioned in the question that if a worker works on Saturday, he will get 8 hours wages for 4 hours of work. Worker B & C, both have worked for 8 hours each on Saturday. However, it is treated differently for worker 'B' and differently for worker 'C'. Similarly, Dearness Allowance is calculated in terms of rate per hour and then added to basic wage rate per hour. Then it is multiplied by total normal hours, which includes overtime (double) hours. In this way, the DA got paid for overtime hours at double rate, because overtime is counted twice in the normal hours. In absence of specific information about calculation of DA, it is a matter of debate. My View : For Saturday working of 8 hours, either pay basic wages at double rate or count it as 16 normal hours. The question should provide some information about payment of DA on overtime hours.
10.	3.38	3.10.1 : Need for efficiency rating : ICAI View : In point no. 1, reference of Taylor's differential piece work system and Emersion efficiency plan is given. However, these payment methods are already deleted from the syllabus. My view : If any method is deleted from the syllabus, then its reference can confuse a student, because they don't know anything about it.

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11.	3.40	(iii) Flux Method : It is a long time observation, that there are two formulae in use to calculate the labour turnover ratio using Flux Method. It is observed that, in the suggested answers, sometimes ICAI uses first formula and sometimes second formula. My view : Please keep only one formula to avoid confusion.
12.	3.48	MCQ No. 3 : Choice (b) is wrongly printed as Personal department. It should be Personnel department.
13.	3.49	MCQ No. 5 : Answer for this question is given as (d). In my opinion, the answer should be (a).
14.	3.49	MCQ No. 6 : Answer for this question is given as (d). In my opinion, the answer should again be (a).
15.	3.50	MCQ No. 11 : Answer for this question is given as (b). It is correct. But, the wordings of the question is : physical and behavioural traits. In my opinion, the wordings of the question should be : physical and biological traits.
Chapter 4 - Overheads - Absorption Costing Method :		
16.	4.17	Method of Re-apportionment : For Reciprocal services, there are three methods given in the module i.e. (a) Simultaneous equation method (b) Trial & error method and (c) Repeated distribution method. My view : Actually, the calculation procedure of Trial & error method and Repeated distribution method is exactly the same. These are the two names of same method and not two separate methods.
17.	4.36	Computation of machine hour rate : While doing the calculation of insurance premium, 1% premium is calculated on Rs. 91,00,000; which is original cost less scrap value. My view : Insurance premium is generally based on original cost and not on (cost minus scrap value). Cost minus scrap value is used for calculation of depreciation and not insurance.
18.	4.40 7.12 7.15 7.24	Treatment of under / over absorption of overheads in cost accounting : There are two method given to deal with this situation. In the old syllabus module, there was third method also i.e. carry forward of under / over absorption of overheads to next period. This third method is now deleted from this new syllabus module. My view : The above change is welcome. But then, the carry forward of overheads should also be deleted from the Chapter 7 : Cost Accounting System. If you refer answer of illustration 1 on Page 7.12 of the module, then you will notice that in "Manufacturing Overhead Control Account' the opening balance of OH is also taken and closing balance is also carried forward to next period. Same thing is again repeated in the answer of illustration 2 on page no. 7.15 & 7.16 in Overhead Accounts. On page no. 7.24, see the * note below Production Overhead Control Account. It says that we may carry forward over absorbed overheads. In my opinion, the treatment of under/over absorption of overheads should be uniform in both the chapters.

S.N.	Module Page No.	ICAI Views and My Views
19.	4.55 7.29	<p>Treatment of certain items in costing :</p> <p>(i) Interest and financing charges - It is mentioned that "it shall be presented in the cost statement as a separate item of cost of sales".</p> <p>My view : If it is treated as an item of cost of sales, then it will reduce the operating profit as per cost sheet. However, interest and financing charges are not considered in calculation of profit as per cost records in Chapter 7. This item generally appears in the reconciliation statement.</p> <p>On page 7.29 point no. 7.4.1 - Items included in financial accounts only - interest on loan is mentioned in the list of such items. But, in chapter 4, it is included in cost sheet also. Please keep a uniform approach at both the places to avoid confusion.</p>
20.	4.59	<p>MCQ No. 2 : The answer given is (c). For this answer to be correct, the wordings of the question should be corrected. The question says 'idle capacity of plant'.</p> <p>My view : It should be 'installed capacity of plant'.</p>
21.	4.59	<p>MCQ No. 6 : The answer given is (c).</p> <p>My view : Generally, depreciation is calculated on time basis and it is treated as 'Fixed Cost' in CVP analysis. Hence, the answer should be (a) and not (c). However, if depreciation is calculated on the basis of 'Machine Hour Rate Method', then it will become variable cost.</p>
22.	4.60 7.38	<p>MCQ No. 7 : The answer given is (c). In my view it is wrong.</p> <p>My view : Though there might be a difference of opinion about the accounting treatment of 'Baddebts', the general view is to ignore it in the cost records and consider only in financial records. This view is supported by the treatment of bad debts in Chapter 7.</p> <p>If you refer solution of illustration 8 on page no. 7.38, then bad debts are shown in the reconciliation statement and ignored in cost sheet.</p> <p>There should be a uniformity in approach in both the chapters.</p>
23.	4.61	<p>MCQ No. 10 : The answer given is (d).</p> <p>My view : The accurate method depends upon the factor which drives the cost. In different industries, the cost driver would be different. We cannot generalise it and say that Machine hour rate method is most accurate. On the contrary, 'Activity Based Costing Method' may be said as more scientific and accurate.</p>
Chapter 5 - Activity Based Costing :		
24.	5.12	<p>Table No. 3 : Data on cost drivers was as follows:</p> <p>There is a typing error. Instead of 'Number of machine operators', it should be 'Number of machine operations'.</p>
25.	5.21	<p>The Table at the beginning itself, where the following is written :</p> <p>Y : 3 hours @ ₹ 150 per hour and X : 4 hours @ ₹ 150 per hour</p> <p>There is a typing error. Instead of 'X', it should be 'Z'.</p>

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26.	5.36	Paragraph just below the table at the beginning There is a typing error. Instead of 'The number of machine operators per unit', it should be 'Number of machine operations per unit'.
27.	5.39	In the table titled as 'Cost Driver Rates' - In the column of Cost Pool, the last wordings are 'Machine Hours'. There is a typing error. Instead of 'Machine Hours', it should be 'Machine operation'. The cost driver is correct i.e. machine hours. But cost pool is wrong.
Chapter 6 - Cost Sheet :		
28.	6.4	(iii) Direct Expenses : Point (a) Cost of utilities such as power & fuel, steam etc. is shown under 'Direct Expenses' head. My view : It is very difficult to co-relate power, fuel and steam cost with each unit produced. Because, the utility bills are generally received for the entire organisation and not for each machine. Hence, cost of utilities should be put under the head 'Production Overheads'.
29.	6.9	6.4.2 : Treatment of various items of cost in cost sheet : Point no. (iv) Interest and other finance cost - This matter is already discussed above in detail for uniformity in approach. If it is to be shown in cost sheet in Chapter 6, then in Chapter 7, it should not form part of Reconciliation Statement.
30.	6.17 7.38	Solution of illustration 3 : Treatment of fees paid to legal advisors. This cost is shown under the head 'Administrative Overheads' in the cost sheet. My view : If it is to be shown in cost sheet in Chapter 6, then in Chapter 7, it should not form part of Reconciliation Statement. On page 7.38, the item 'Legal Charges' is shown in reconciliation statement, which means, it is not an item of cost. Uniformity in approach is lacking.
Chapter 7 - Cost Accounting System :		
31.	7.7	Journal Entry no. (m) for Carriage Inward It is debited to Production Overhead Control A/c My view : Carriage inward is a part of purchase expenses i.e. a part of landed cost and it is added to the purchase cost of material as mentioned in Chapter 2 : Material Cost. Just to maintain the uniformity in approach, it should also be treated here as part of material cost and 'carriage inward' should be debited to 'Stores Ledger Account' instead of Production Overhead A/c.
32.	7.23	Illustration 4 : While asking the question 'Required' i.e. prepare the following accounts for the month : at point no. (e) Costing Profit & Loss Account is mentioned. My view : This question is based on 'Integrated Accounting System'. Under integrated accounting system, we don't prepare 'Costing Profit & Loss Account'. It should be just a 'Profit & Loss Account'. 'Costing Profit & Loss Account' is prepared under 'Non-integrated Accounting System'.

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33.	7.25	<p>Notes : (1) Non-production time of direct workers is a production overhead.</p> <p>My view : The reasoning for non-production time (i.e. idle time) is important. Alternatively, if it is assumed as Abnormal idle time, then it may directly be debited to 'Profit & Loss Account'. This alternative treatment should also be mentioned in the notes.</p> <p>Just like note (4), where excess credit balance in WIP A/c is treated as abnormal gain and transferred to 'Profit & Loss Account'.</p>
34.	7.35	<p>Solution of illustration 7 : In the Profit & Loss A/c, on credit side - 'Closing Finished Goods' worth Rs. 37,000 is written.</p> <p>My view : It is a typing error and it should be 'Closing stock of Raw Material'.</p>
35.	7.36	<p>In illustration 8 : General administrative overheads ₹ 7,00,000 is given. General administration cost should be added in the calculation of cost of sales along with selling & distribution overheads.</p> <p>However, on page 7.37, if we refer the Cost Sheet, it is calculated on finished goods produced i.e. (1,24,000 units @ ₹ 6 p.u.).</p> <p>My view : It should either be calculated on the basis of goods sold i.e. (1,20,000 units @ ₹ 6 p.u.). Else, it should be treated as 'Production Related Administration Cost' and then to be taken in the calculation of Cost of Production.</p>
36.	7.38	<p>7.5 : Accounting for Management Information & Cost Control : Under this heading, some information about Single Plan & Partial Plan is given. It is of no use here and should be deleted completely.</p> <p>My view : This matter is related to 'Standard Costing' topic and it was present in the old syllabus of CA Final Costing (AMA). It requires in depth understanding of Standard Costing & Cost Ledger Accounting. I feel just 3 pages of theory notes is insufficient to understand this concept and it is irrelevant for CA Inter students, hence to be dropped.</p>
37.	7.42	<p>MCQ No. 2 : ICAI answer is (c).</p> <p>My view : It should be (b). Because, in non-integrated accounts i.e. in cost ledger accounting notional cost may be considered. It is not considered in financial accounting.</p> <p>Please refer the theory on page no. 7.29 at the bottom, point no. 2 about notional expenses.</p>
38.	7.49	<p>Q.5 : You are required to : Point no. (b). It is mentioned that indirect expenses are absorbed on the basis of normal production capacity.</p> <p>My view : Only fixed overheads are charged on the basis of normal production capacity and not all the overheads. It can be seen in the solution also. Hence, the wordings of the question requires modification to avoid confusion.</p>
39.	7.57	<p>Answer of Q.4 : Interest on borrowed funds is shown separately. However, in Chapter 1 and Chapter 7, it was mentioned that interest should be added in 'cost of sales'.</p> <p>My view : Please make the treatment of 'interest' uniform at all places.</p>

S.N.	Module Page No.	ICAI Views and My Views
40.	7.58	<p>Solution of Q. 4 : In the cost sheet, administration expenses are considered along with selling & distribution expenses.</p> <p>My view : This treatment is correct only if the administration expenses are general in nature or related to sales. The question is silent about the type of administration expenses, whether production related or general? It should be specified clearly in the question itself.</p>
Chapter 8 - Unit and Batch Costing :		
41.	8.10	<p>Table at the beginning itself - Column no. 2 - the title is 'Chargeable Expenses'.</p> <p>My view : It should be 'Overheads'. Because, chargeable expenses means direct expenses, which is a part of Prime Cost.</p>
42.	8.12	<p>Illustration 6 : Point no. (iii) Find out the minimum inventory cost?</p> <p>My view : It should be either specified as 'Total Inventory Carrying Cost' or 'Total Inventory Management Cost' i.e. Carrying cost + Set up cost together. The wordings of the question are confusing.</p>
43.	8.19	<p>Q. No. 4 : While providing the information about production cost, it is not mentioned whether the cost is 'Total' or 'Per Unit'.</p> <p>My view : It should be specified to avoid confusion.</p>
Chapter 9 - Job and Contract Costing :		
44.	9.8	<p>9.4 : Accounting of Cost for a Job</p> <p>Journal entries are given here again, which is already covered in Chapter 7. It was not required here.</p> <p>If at all, it is to be given here, then the entries should be related to 'Subsidiary Books' and not the 'Consolidated Books'.</p> <p>For example - Material issued to job is debited to WIP A/c.</p> <p>My view : It should be debited to 'Job Account' in subsidiary books and WIP A/c in consolidated books / control records.</p>
45.	9.9	<p>Solution of illustration 1 : The journal entry seems to be wrong.</p> <p>My view : Rs. 2,000 realised should be debited to 'Cost Ledger Control Account' instead of 'Material Control Account'.</p>
Chapter 10 - Process & Operation Costing :		
46.	10.21	<p>Check this line in the answer :</p> <p>Less : Scrap value of normal loss (₹ 1 x 1,100 units)</p> <p>There is a printing error. It should be : (₹ 10 x 1,100 units)</p>
47.	10.24	<p>Solution to illustration 6 :</p> <p>Valuation of WIP is done using 'Average Cost Method' however, valuation of finished goods is done using 'FIFO' method. It is technically wrong and we should follow a uniform approach for valuation of WIP & FG both.</p> <p>My view : The reason given is that in the question, it is mentioned that "Finished stock is valued at the price at which it is received from process II". The correct interpretation of this sentence is that valuation of FG is to be done before adding any other cost of FG department.</p>

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48.	10.27	MCQ No.6 : The answer given is (c) My view : There are two correct answers here i.e. (a) & (c).
49.	10.27	MCQ No.8 : The answer given is (c) My view : There are two correct answers here i.e. (b) & (c).
50.	10.27	MCQ No.9 : The question itself is wrong.
51.	10.28	MCQ No.10 : The question itself is wrong or choices are wrong.
52.	10.29	MCQ No.14 : The answer given is (b) My view : The answer should be (a)
Chapter 11 - Joint Products & By Products :		
53.	11.6	(ii) Net Realisable Value at Split off point method - ICAI view : The steps given to calculate NRV = Final Sale Value - Estimated profit margin - S&D expenses - Post split off costs My view : The above steps are taken from 'Reverse Cost Method'. Actually, NRV = Final Sale Value - S&D expenses - Post split off costs NRV should not be treated as equal to Reverse cost method. I would recommend ICAI to re-introduce 'Reverse Cost Method' again in the syllabus.
54.	11.9	(iii) Average unit cost method - If we study this method carefully, we find that it is exactly same as 'Physical Units Method' i.e. Quantity based method. My view : 'Average unit cost method' should not be projected as a separate method but it is just another name for 'Physical Units Method'.
55.	11.18	MCQ No.3 : The answer given by ICAI is (d) My view : The answer should be (c)
56.	11.22	In the table at the beginning of the page, at 3rd line - 'Process costs' is written with some figures ahead. Actually, it is 'Further Processing Cost' in my view. It needs a correction to avoid confusion.
57.	11.28	Solution of Q.4 : The question clearly says that apportion the joint cost on the basis of NRV. However, the solution developed is not in line with the requirement of question. My view : Apportionment of joint cost has nothing to do with the decision of 'Further Processing'. These two are independent. Secondly, I feel that the data given in this question itself is wrong. Because, the organisation suffers loss irrespective of the decision of further processing or not. This view can be substantiated by looking at the answer of Q.2 on page no. 11.25. In this question 2, the allocation of cost is based on NRV, irrespective of the decision of further processing; which is correct. NRV is correctly calculated here as Sale value - post separation cost. However, it is wrongly explained on page no. 11.6. This inconsistency should be removed.

S.N.	Module Page No.	ICAI Views and My Views
Chapter 12 - Service Costing :		
58.	12.16	<p>Illustration 5 : The wordings of the question are not conveying the correct meaning, it is vague. It is assumed that the cities A, B & C are located in a straight line and it doesn't form a triangle.</p> <p>The calculation of answer is not understandable or it is wrong.</p> <p>My view : Please revisit the question as well as answer to make it more clear and understandable.</p>
59.	12.24	<p>Illustration 8 : It should be shifted to 'Marginal Costing' chapter. Because, it requires calculation of BEP, which is not covered here.</p>
60.	12.38	<p>Illustration 11 : In the table at the beginning of the page, in the second line it is stated - 'Time spent at library per student per year'.</p> <p>My view : It should be 'Total Time spent at library per year'. Otherwise, for apportionment of library related cost, we need to take the basis as (time spent by each student x no. of students). Either correct the wordings of the question or change the basis for apportionment.</p>
61.	12.52	<p>Q.1 : Below the first table, there is a line which says - 'An average cost of ₹1,120 lakh has to be'</p> <p>My view : The word 'Average' is confusing here. Because, while solving the question, it is treated as total cost of 25 years. Please correct this anomaly.</p>
62.	12.54	<p>Q.4 : In the last line of the question, the sentence should be "5kWh of electricity" Due to printing error, it is visible as Q.5.</p>
Chapter 13 - Standard Costing :		
63.	13.19	<p>Illustration 3 : The last line of the question says - "Calculate all material variances".</p> <p>My view : All variances include - (a) Material Mix Variance and (b) Material Yield Variance also. But it is not calculated in the solution.</p>
64.	13.21	<p>Please consider the flowchart of Labour Cost Variance on this page and on page no. 13.13. This variation in presentation is acceptable to faculty but not to the students. Because, due to this change in presentation, there is a slight change in the formula of 'Labour Efficiency Variance'.</p> <p>My view : To avoid unnecessary confusion, it is suitable to keep a uniform approach and formula.</p>
65.	13.38	<p>Illustration 9 : The data in the question is wrong or non properly given. The actual overheads data is mixed i.e. Fixed + Variable OH. It should be provided separately for calculation of correct answers.</p> <p>The solution of Variable Overhead Expense Variance is wrong. How the 'Actual Rate' is calculated? It is not explained in solution.</p> <p>The solution of Fixed Overhead Expense Variance is also wrong. How the 'Actual Variable OH' is calculated? It is calculated using standard rate and not actual rate.</p> <p>My view : Either this question should be withdrawn or it should be modified to make it more meaningful.</p>

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Chapter 14 - Marginal Costing :		
66.	14.24	<p>Solution of illustration 6 : The way of calculation and presentation of BEP is confusing and not understandable.</p> <p>My view : The simple way is to calculate overall P/V Ratio, which comes to 40% and then BEP can be calculated as $5,000/40\% = 12,500$</p>
67.	14.34	<p>14.13.4 : Short term decision making using concepts of CVP analysis. Under this heading, only one line sentences are written about the types of short term decisions.</p> <p>My view : If one practical question on each decision making topic is included in the module, then it would be much better for students.</p>
68.	14.36	<p>Illustration 11 : In part (ii) of the question, sales mix ratio of X : Y is given as 7 : 3.</p> <p>My view : The sales mix ratio is for Quantity or Value? It should be made clear in the question itself, to avoid confusion.</p>
69.	14.40	<p>14.14 : Distinction between Marginal and Absorption Costing : It is silent about the treatment of 'Administrative Overheads related to Production Activity'. It is also silent about the treatment of variable administration overheads.</p>
70.	14.43	<p>In the table at the beginning of the page, i.e. 'Income Statement (Absorption Costing)' - Under / Over absorption of fixed manufacturing overheads is shown as addition / deletion.</p> <p>My view : If after absorption of manufacturing overheads at a pre-determined rate in the cost sheet, we adjust the under / over absorption of overheads again, then it is as good as charging full overheads in the cost sheet. In such case, there will not be any difference in the treatment of 'Fixed manufacturing overheads' as per Absorption costing and as per Marginal costing. Ref. solution (c) on page no. 14.45</p> <p>On the contrary, in my opinion, the under / over absorption of overheads should form part of reconciliation statement of profit between Absorption costing and as per Marginal costing.</p>
Chapter 15 - Budgets & Budgetary Control :		
71.	15.45	<p>In illustration 5 : In the first paragraph, sales mix ratio of 3 : 4 : 2 is given. However, whether it is a ratio of Sales Qty. or Sales Value is not mentioned.</p> <p>My view : Mentioning the sales mix ratio in Qty. or Value clearly in the question will avoid confusion in interpretation.</p>
72.	15.45	<p>In illustration 5 : In table no. 2, there is some printing error in the heading. Labour Hours and Variable Overheads got mixed. Similarly, overheads are to be expressed in ₹ to avoid possible error.</p>

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