# Solutions to Revisionary Problems

**Answer to Q. No. 1 :**

## COST LEDGER

### Cost Ledger Control Account

| | ₹ | | ₹ |
|---|---|---|---|
| To Costing P & L A.c. (Sales) | 1,00,000 | By Balance b/d | 21,500 |
| To Balance c/d | 12,500 | By Stores ledger control A/c. | 20,000 |
| | | By Wages control A/c. | 20,000 |
| | | By Factory overhead control A/c. | 6,000 |
| | | By Adm. Overhead control A/c. | 15,000 |
| | | By Selling Overhead Control A/c. | 7,000 |
| | | By Costing P&L A/c. (Profit) | 23,000 |
| | 1,12,500 | | 1,12,500 |

### Stores Ledger Control Account

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 4,500 | By WIP ledger control A/c. | 18,000 |
| To Cost ledger control A/c. | 20,000 | By Factory overhead control A/c. | 1,000 |
| | | By Balances c/d | 5,500 |
| | 24,500 | | 24,500 |

### Wages Control Account

| | ₹ | | ₹ |
|---|---|---|---|
| To Cost ledger control A/c. | 20,000 | By WIP ledger control A/c. | 15,000 |
| | | By Factory overheads Control A/c | 5,000 |
| | 20,000 | | 20,000 |

### WIP Ledger Control Account

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 10,200 | By Finished goods ledger control A/c. | 55,000 |
| To Stores ledger control A/c. | 18,000 | By Bal. c/d | 200 |
| To Wages control A/c. | 15,000 | | |
| To Factory overhead control A/c. | 12,000 | | |
| | 55,200 | | 55,200 |

### Factory Overhead Control Account

| | ₹ | | ₹ |
|---|---|---|---|
| To Stores ledger control A/c. | 1,000 | By WIP ledger control A/c. | 12,000 |
| To Wages Control | 5,000 | | |
| To Cost ledger control A/c. | 6,000 | | |
| | 12,000 | | 12,000 |

### Administration Overhead Control Account

| | ₹ | | ₹ |
|---|---|---|---|
| To Cost ledger control A/c. | 15,000 | By Finished goods ledger control A/c. | 15,000 |
| | 15,000 | | 15,000 |

### Finished Goods Ledger Control Account

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 6,800 | By Cost of Sales A/c. | 70,000 |
| To WIP ledger control A/c. | 55,000 | By Balance c/d | 6,800 |
| To Adm. Overhead control A/c. | 15,000 | | |
| | 76,800 | | 76,800 |

**Selling Overhead Ledger Control Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Cost ledger control A/c. | 7,000 | By Cost of sales A/c | 7,000 |
| | 7,000 | | 7,000 |

**Cost of Sales Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Finished goods ledger control A/c. | 70,000 | By Costing P & L A/c. | 77,000 |
| To Selling overhead control A/c. | 7,000 | | |
| | 77,000 | | 77,000 |

**Costing P & L Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Cost of sales A/c. | 77,000 | By Cost ledger control A/c. (Sales) | 1,00,000 |
| To Cost ledger control A/c. (Profit) | 23,000 | | |
| | 1,00,000 | | 1,00,000 |

**Answer to Q. No. 2 :**

**WIP Ledger Control Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 5,00,000 | By Finished stock ledger control A/c. | 5,25,000 |
| To Wages control A/c. | 60,000 | By Stores ledger control A/c. | 4,000 |
| To Stores ledger control A/c. | 2,80,000 | By Balance c/d | 4,60,000 |
| To Cost ledger control A/c. | 12,000 | | |
| To Cost ledger control A/c. | 17,000 | | |
| To Factory overhead control A/c. | 1,20,000 | | |
| | 9,89,000 | | 9,89,000 |

**Answer to Q. No. 3 :**

**COST LEDGER**

**General Ledger Adjustment Account**

| Dr. | ₹'000 | Cr. | ₹'000 |
|---|---|---|---|
| To Costing profit and loss A/c. (Sales) | 12,430 | By Balance b/d | 3,134 |
| To Balance b/d | 3,226 | By Material control A/c. | 4,801 |
| | | By Wages control A/c. | 2,143 |
| | | By Production overhead control A/c. (Carriage) | 84 |
| | | By Production overhead control A/c. | 2,423 |
| | | By Administration overhead control A/c. | 740 |
| | | By Selling & dist. overhead control A/c. | 642 |
| | | By Costing profit and loss A/c. | 1,689 |
| | 15,656 | | 15,656 |

**Material Control Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 1,240 | By WIP control A/c. | 4,774 |
| To General ledger Adjustment A/c. | 4,801 | By Production overhead control A/c. | 412 |
| | | By Administration overhead control A/c. | 34 |
| | | By Selling & dist. Overhead control A/c. | 72 |
| | | By Balance c/d | 749 |
| | 6,041 | | 6,041 |

### Wages Control Account

| | ₹ | | ₹ |
|---|---|---|---|
| To General ledger adjustment A/c. | 2,143 | By WIP control A/c. | 1,493 |
| | | By Production overhead control A/c. | 650 |
| | 2,143 | | 2,143 |

### Production Overhead Control Account

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 84 | By WIP control A/c. | 3,591 |
| To Material control A/c. | 412 | By Balance c/d | 62 |
| To General ledger adjustment A/c. | 84 | | |
| To Wages control A/c. | 650 | | |
| To General Ledger Adjustment A/c. | 2,423 | | |
| | 3,653 | | 3,653 |

### Work-in-progress Control Account

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 625 | By Finished goods control A/c. | 9,584 |
| To Material control A/c. | 4,774 | By Balance c/d | 899 |
| To Wages control A/c. | 1,493 | | |
| To Production overhead control A/c. | 3,591 | | |
| | 10,483 | | 10,483 |

### Administration Overhead Control Account

| | ₹ | | ₹ |
|---|---|---|---|
| To Material control A/c. | 34 | By Balance b/d | 120 |
| To General ledger adjustment A/c. | 740 | By Finished goods control A/c. | 529 |
| To Balance c/d | 23 | By Cost of Sales A/c. | 148 |
| | 797 | | 797 |

### Finished Goods Control Account

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 1,240 | By Cost of sales A/c. | 9,773 |
| To Administration overhead control A/c. | 529 | By Balance c/d. | 1,580 |
| To WIP control A/c. | 9,584 | | |
| | 11,353 | | 11,353 |

### Selling and Distribution Overhead Control Account

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 65 | By Cost of Sales A/c. | 820 |
| To Material control A/c. | 72 | | |
| To General ledger adjustment A/c. | 642 | | |
| To Balance b/d | 41 | | |
| | 820 | | 820 |

### Cost of Sales Account

| | ₹ | | ₹ |
|---|---|---|---|
| To Finished goods control A/c. | 9,773 | By Costing profit & Loss A/c. | 10,741 |
| To Selling and dist. Overhead control A/c. | 820 | | |
| To Admn. Overhead control A/c. | 148 | | |
| | 10,741 | | 10,741 |

**Costing Profit and Loss Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Cost of sales A/c. | 10,741 | By General ledger adjustment A/c. (Sales) | 12,430 |
| To General ledger adjustment A/c. (Profit) | 1,689 | | |
| | 12,430 | | 12,430 |

**Trial Balance**
*(as on 31st March, 1996)*

| | Dr. ₹ '000 | Cr. ₹ '000 |
|---|---|---|
| Material control account | 749 | |
| Work-in-progress control account | 899 | |
| Finished goods control account | 1,580 | |
| Production overhead control account | 62 | |
| Admn. Overhead control account | | 23 |
| Selling and dist. Overhead control account | | 41 |
| General ledger adjustment account | | 3,220 |
| | 3,290 | 3,290 |

**Answer to Q. No. 4 :**

**GENERAL LEDGER**

**Stores Control Account**

| Dr. | ₹ | | Cr. ₹ |
|---|---|---|---|
| To Balance b/d | 1,50,000 | By Work-in-progress A/c. | 10,50,000 |
| To Sundry creditors A/c. | 10,00,000 | By P & L A/c. | 5,000 |
| | | By Balance c/d | 95,000 |
| | 11,50,000 | | 11,50,000 |

**Wages Control Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Bank A/c. | 6,50,000 | By Work-in-progress A/c. | 6,00,000 |
| | | By Factory overhead control A/c. (Indirect wages) | 50,000 |
| | 6,50,000 | | 6,50,000 |

**Factory Overhead Control Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Bank A/c. | 3,00,000 | By Work-in-progress A/c. | 2,75,000 |
| To Wages control A/c. | 50,000 | By P&L A/c. (under-absorption) | 75,000 |
| | 3,50,000 | | 3,50,000 |

**Work-in-progress Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Stores control A/c. | 10,50,000 | By Finished stock control A/c. | 18,00,000 |
| To Wages control A/c. | 6,00,000 | By Balance c/d | 1,25,000 |
| To Overhead control A/c. | 2,75,000 | | |
| | 19,25,000 | | 19,25,000 |

**Finished Stock Control**

| | ₹ | | ₹ |
|---|---|---|---|
| To Work-in-progress A/c. | 18,00,000 | By Cost of sales (B.F.) | 17,05,000 |
| | | By Balance c/d | 95,000 |
| | 18,00,000 | | 18,00,000 |

**Cost of Sales Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Finished stock control A/c. | 17,05,000 | By P&L A/c. | 18,05,000 |
| To Selling and distribution control A/c. | 1,00,000 | | |
| | 18,05,000 | | 18,05,000 |

**Sales Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To P&L A/c. | 22,00,000 | By Sundry debtors A/c. | 22,00,000 |
| | 22,00,000 | | 22,00,000 |

**Selling and Distribution Overhead Control Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Bank A/c. | 1,00,000 | By Cost of sales A/c. | 1,00,000 |
| | 1,00,000 | | 1,00,000 |

**Bank Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 75,000 | By Wages control A/c. | 6,50,000 |
| To Sundry debtors | 21,00,000 | By Overhead control A/c. | 3,00,000 |
| | | By Selling and distribution control A/c. | 1,00,000 |
| | | By Sundry creditors A/c. | 11,00,000 |
| | | By Balance c/d | 25,000 |
| | 21,75,000 | | 21,75,000 |
| To Balance b/d | 25,000 | | |

**Plant and Machinery Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 5,75,000 | By Balance c/d | 5,75,000 |
| | 5,75,000 | | |

**Sundry Debtors Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 2,00,000 | By Bank A/c. | 21,00,000 |
| To Sales | 22,00,000 | By Balance c/d | 3,00,000 |
| | 24,00,000 | | 24,00,000 |

**Sundry Creditors Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Bank | 11,00,000 | By Balance b/d | 5,00,000 |
| To Balance c/d | 4,00,000 | By Stores control A/c. | 10,00,000 |
| | 15,00,000 | | 15,00,000 |

**Share Capital Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance c/d | 3,00,000 | By Balance b/d | 3,00,000 |

**Reserve Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Balance c/d | 5,15,000 | By Balance b/d | 2,00,000 |
| | | By Profit & Loss A/c. | 3,15,000 |
| | 5,15,000 | | 5,15,000 |

**Profit & Loss Account**

| | ₹ | | ₹ |
|---|---|---|---|
| To Cost of sales A/c. | 18,05,000 | By Sales A/c. | 22,00,000 |
| To Stores control A/c. | 5,000 | | |
| To Factory overhead control A/c. (under-absorption) | 75,000 | | |
| To Net Profit (T/F to Reserves) | 3,15,000 | | |
| | 22,00,000 | | 22,00,000 |

**Answer to Q.5.**

*General Ledger Adjustment Account*

| Dr. Particulars | ₹ | Particulars | Cr. ₹ |
|---|---|---|---|
| To Costing P & L A/c. | 2,56,000 | By Balance b/d | 1,88,750 |
| To Balance c/d | 1,80,150 | By Stores Ledger Control A/c. | 26,700 |
| | | By Wages Control A/c. | 77,500 |
| | | By Overheads Control A/c. | 95,200 |
| | | By Costing Profit and Loss A/c. | 48,000 |
| | 4,36,150 | | 4,36,150 |

**Stores Ledger Control Account**

| Dr. Particulars | ₹ | | Cr. ₹ |
|---|---|---|---|
| To Balance b/d | 53,375 | By WIP Control A/c | 40,000 |
| To General Ledger Adjustment A/c. | 26,700 | By Factory Overheads Control A/c. | 900 |
| | | By Balance c/d | 39,175 |
| | 80,075 | | 80,075 |

**WIP Control Account**

| Dr. Particulars | ₹ | | Cr. ₹ |
|---|---|---|---|
| To Balance b/d | 1,04,595 | By Finished Goods Control A/c. | 2,02,900 |
| To Stores Ledger Control A/c. | 40,000 | By Balance c/d. (1,04,595 + 7,500) | 1,12,095 |
| To Wages Control A/c. | 54,500 | | |
| To Factory, Overheads Control A/c. | 1,15,900 | | |
| | 3,14,995 | | 3,14,995 |

***Finished Goods Control Account***

| Dr. Particulars | ₹ | | Cr. ₹ |
|---|---|---|---|
| To Balance b/d | 30,780 | By Cost of Sales A/c. | 2,04,800 |
| To WIP Control A/c. | 2,02,900 | By Balance c/d | 28,880 |
| | 2,33,680 | | 2,33,680 |

**Note :** Gross profit = 20% on sales.

Hence, Cost of goods sold = ₹ 2,56,000 – 20% of ₹ 2,56,000 = ₹ 2,04,800.

**Dr. Factory Overhead Control Account Cr**

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To Stores Ledger Control A/c. | 900 | By Costing and Profit & Loss A/c. | 3,200 |
| To Wages Control A/c. | 23,000 | By WIP Control A/c. | 1,15,900 |
| To General Ledger Adjustment A/c. | 95,200 | | |
| | 1,19,100 | | 1,19,100 |

**Dr. Cost of Sales Account Cr.**

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To Finished Goods Control A/c. | 2,04,800 | By Closing Profit & Loss A/c. | 2,04,800 |

**Dr. Wages Control Account Cr.**

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To General Ledger Adjustment A/c. | 77,500 | By Factory Overheads Control A/c. | 23,000 |
| | | By WIP Control A/c. | 54,500 |
| | 77,500 | | 77,500 |

**Dr. Costing Profit and Loss Account Cr.**

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To Factory Overheads Control A/c. | 3,200 | By General Ledger Adjustment A/c. (Sales) | 2,56,000 |
| To Cost of Sales A/c. | 2,04,800 | | |
| To General Ledger Adjustment A/c. Profit | ------------ | | ------------ |
| | 2,56,000 | | 2,56,000 |

**Trial Balance (as on 30.6.2012)**

| Particulars | Dr. (₹) | Cr. (₹) |
|---|---|---|
| Stores Ledger Control A/c. | 39,175 | |
| WIP Control A/c. | 1,12,095 | |
| Finished Goods Control A/c. | 28,880 | |
| General Ledger Adjustment A/c. | | 1,80,150 |
| | 1,80,150 | 1,80,150 |

**Ans. to Q.6.**

**Dr. Cost Ledger Control Account Cr.**

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To Costing Profit & Loss A/c. (Sales) | 3,00,000 | By Balance b/d | 98,000 |
| To Stores Ledger Control A/c. | 3,000 | By Stores Ledger Control A/c. | 95,000 |
| To Balance c/d | 95,000 | By Wage Control A/c. (Productive Wages + Indirect Wages) | 65,000 |
| | | By Factory Overheads Control A/c. | 50,000 |
| | | By Selling & Admn. Expenses A/c. | 40,000 |
| | | By Costing, Profit & Loss A/c. | 50,000 |
| | 3,98,000 | | 3,98,000 |

**Stores Ledger Control Account**

| Dr. Particulars | ₹ | Cr. | ₹ |
|---|---|---|---|
| To Balance b/d | 35,000 | By Cost Ledger Control A/c. | 3,000 |
| To Cost Ledger Control A/c. | 95,000 | By work-in-progress Control A/c. | 98,000 |
| To Work-in-progress Control A/c. | 3,000 | By Balance c/d | 32,000 |
| | 1,33,000 | | 1,33,000 |

**Work-in-progress Control Account**

| Dr. Particulars | ₹ | Cr. | ₹ |
|---|---|---|---|
| To Balance b/d | 38,000 | By Stores Ledger Control A/c. | 3,000 |
| To Stores Ledger Control A/c. | 98,000 | By Finished Goods Control A/c. | 2,13,000 |
| To Wages Control A/c. | 40,000 | By Balance c/d | 20,000 |
| To Factory Overheads Control A/c. | 60,000 | | |
| | 2,36,000 | | 2,36,000 |

**Finished Goods Control Account**

| Dr. Particulars | ₹ | Cr. | ₹ |
|---|---|---|---|
| To Balance b/d | 25,000 | By Cost of Sales A/c. | 2,10,000 |
| To Work-in-progress Control A/c. | 2,13,000 | By Balance c/d | 28,000 |
| | 2,38,000 | | 2,38,000 |

**Factory Overheads Control Account**

| Dr. Particulars | ₹ | Cr. | ₹ |
|---|---|---|---|
| To Wage Control A/c. (indirect Labour) | 25,000 | By Work-in-progress Control A/c. (150% of ₹ 40,000) | 60,000 |
| To Cost Ledger Control A/c. | 50,000 | By Balance c/d | 15,000 |
| | 75,000 | | 75,000 |

**Cost of Sales Account**

| Dr. Particulars | ₹ | Cr. | ₹ |
|---|---|---|---|
| To Fix. Goods Control | 2,10,000 | By Costing P & L A/c. | 2,50,000 |
| To Selling Overhead Control | 40,000 | | |
| | 2,50,000 | | 2,50,000 |

**Costing Profit and Loss Account**

| Dr. Particulars | ₹ | Cr. | ₹ |
|---|---|---|---|
| To Cost of Sales | 2,50,000 | By Cost Ledger Control A/c. | 3,00,000 |
| To Cost Ledger Control A/c. (Profit) | 50,000 | | |
| | 3,00,000 | | 3,00,000 |

**Trial Balance as at 30th April, 2011**

| Particulars | Dr. (₹) | Cr. (₹) |
|---|---|---|
| Stores Ledger Control A/c. | 32,000 | |
| Work-in-progress Control A/c. | 20,000 | |
| Finished Goods Control A/c. | 28,000 | |
| Factory Overheads Control A/c. | 15,000 | |
| Cost Ledger Control A/c. | | 95,000 |
| | 95,000 | 95,000 |

Dr. **Wages Control Account** Cr.

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To Cost Ledger Control A/c. | 65,000 | By Work-in-progress Control A/c. | 40,000 |
| | | By Factory Overheads Control A/c. | 25,000 |
| | 65,000 | | 65,000 |

**Ans. to Q.7.**

***Stores Ledger Control Account***

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 32,000 | By WIP Control (D. Materials) | 1,60,000 |
| To GLA (Purchases) | 1,58,000 | By Works Overhead Control A/c. (Indirect Material) | 20,000 |
| To WIP Control A/c. | 80,000 | By Costing P & L A/c. (Deficiency) | 6,000 |
| | | By Balance c/d | 84,000 |
| | 2,70,000 | | 2,70,000 |

***WIP Control Account***

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To Balance b/d | 60,000 | By Stores Control | 80,000 |
| To Stores Control | 1,60,000 | By Finished Goods Control (Balancing figures) | 4,00,000 |
| To Wages Control | 65,000 | | |
| To Works Overheads Control | 2,40,000 | By Balance c/d | 45,000 |
| | 5,25,000 | | 5,25,000 |

***Wages Control Account***

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To GLA A/c. | 70,000 | By WIP (Direct Wages) | 65,000 |
| | | By Works Overhead (Indirect Wages) | 5,000 |
| | 70,000 | | 70,000 |

***Works Overheads Control Account***

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To Stores Control | 20,000 | By WIP Control (Applies) | 2,40,000 |
| To Wages Control | 5,000 | By Costing P & L A/c. (under-recovered) | 35,000 |
| To GLA A/c. | 2,50,000 | | |
| | 2,75,000 | | 2,75,000 |

***Finished Goods Control Account***

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To WIP Control A/c. | 4,00,000 | By Cost of Sales A/c. | 4,00,000 |

***Cost of Sales Account***

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To Finished Goods Control A/c. | 4,00,000 | By Costing P & L A/c. | 4,00,000 |

**Costing Profit & Loss Account**

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To Cost of Sales A/c. | 4,00,000 | By GLA (Sales) (4,00,000 plus 10%) | 4,00,000 |
| To Works Overhead control | 35,000 | By GLA (Loss) | 1,000 |
| To Stores Ledger Control A/c. | 6,000 | | |
| | 4,41,000 | | 4,41,000 |

**Profit and Loss Account**

| Particulars | ₹ | | ₹ |
|---|---|---|---|
| To Opening Stock : | | By Sales | 4,40,000 |
| → Raw Material | 32,000 | By Closing Stock : | |
| → WIP | 60,000 | → Raw Material | 84,000 |
| To Purchases | 1,58,000 | → WIP | 45,000 |
| To Wages | 70,000 | By Income from Investment | 10,000 |
| To Works Overheads | 2,50,000 | By Net Loss | 11,000 |
| To Loss on Sale of Capital Asset | 20,000 | | |

**Reconciliation Statement**

| Particulars | + | − |
|---|---|---|
| 1. Loss as per Cost Books | | 1,000 |
| 2. Income from investment not recorded in cost books | 10,000 | |
| 3. Loss on sale of capital asset not recorded in cost books | | 20,000 |
| | 10,000 | 21,000 |

Loss as per financial books = 21,000 – 10,000 = ₹ 11,000.

**Answer to Q. No. 8 :**

**Journal Entries**

| | | ₹ | ₹ |
|---|---|---|---|
| (i) Stores ledger control A/c. | ...Dr. | 25,000 | |
| To WIP ledger control A/c. | | | 25,000 |
| (Materials returned to stores from job) | | | |
| (ii) Wages control A/c. | ...Dr. | 50,000 | |
| To Cost ledger control A/c. | | | 50,000 |
| (Payment of gross wages) | | | |
| WIP ledger control A/c. | ...Dr. | 20,000 | |
| Factory overhead control A/c. | ...Dr. | 12,000 | |
| Adm. overhead control A/c. | ...Dr. | 10,000 | |
| Selling and dist. Overhead control A/c. | ...Dr. | 8,000 | |
| To Wages control A/c. | | | 50,000 |
| (Amount of wages allocated to WIP and respective overhead accounts). | | | |

**Answer to Q. No. 9 :**

### Journal Entries

| Particulars | | Dr. (₹) | Cr. (₹) |
|---|---|---|---|
| Stores Ledger Control A/c | Dr. | 6,00,000 | |
| To Sundry Creditors A/c | | | 3,00,000 |
| To Cash or Bank | | | 3,00,000 |
| WIP Control A/c | Dr. | 4,00,000 | |
| To Stores Ledger A/c | | | 4,00,000 |
| Wages Control A/c | Dr. | 2,00,000 | |
| To Cash or Bank A/c | | | 2,00,000 |
| WIP Control A/c | Dr. | 1,00,000 | |
| Factory overheads Control A/c | Dr. | 1,00,000 | |
| To Wages Control A/c | | | 2,00,000 |
| Factory overheads Control A/c | Dr. | 80,000 | |
| To Cash or Bank | | | 80,000 |
| WIP Control A/c | Dr. | 1,00,000 | |
| To Factory Overheads Control A/c | | | 1,00,000 |
| S & D Overheads Control A/c | Dr. | 40,000 | |
| To Cash or Bank A/c | | | 40,000 |
| Finished goods Control A/c | Dr. | 5,00,000 | |
| To WIP Control A/c | | | 5,00,000 |
| Cost of Sales A/c | Dr. | 5,40,000 | |
| To Finished Goods A/c | | | 5,00,000 |
| To S & D Overheads Control A/c | | | 40,000 |
| Sundry debtors A/c | Dr. | 3,75,000 | |
| Cash or Bank A/c | Dr. | 3,75,000 | |
| To Sales A/c | | | 7,50,000 |
| Cash or Bank A/c | Dr. | 2,00,000 | |
| To Sundry Debtors A/c | | | 2,00,000 |
| Sundry Creditors A/c | Dr. | 2,00,000 | |
| To Cash or Bank A/c | | | 2,00,000 |

**Answer to Q. No. 10**

### Journal Entries

| S. No. | Particulars | | Dr. ₹ | Cr. ₹ |
|---|---|---|---|---|
| (i) | Stores Ledger Control A/c | Dr. | 4,00,000 | |
| | To Creditors | | | 4,00,000 |
| (ii) | Stores Ledger Control A/c | Dr. | 3,000 | |
| | To Cash | | | 3,000 |
| (iii) | Creditors A/c | Dr. | 3,00,000 | |
| | To Cash | | | 3,00,000 |
| (iv) | WIP Ledger Control A/c | Dr. | 2,50,000 | |
| | To Stores Ledger Control A/c | | | 2,50,000 |
| (v) | Wages Control A/c | Dr. | 2,00,000 | |
| | To Cash | | | 2,00,000 |
| (vi) | Wages Control A/c | Dr. | 70,000 | |
| | To Cash | | | 70,000 |
| (vii) | Works Overheads Control A/c | Dr. | 3,60,000 | |
| | To Cash | | | 3,60,000 |

| | | | | |
|---|---|---|---|---|
| (viii) | Works Overheads Control A/c | Dr. | 2,000 | |
| | To Stores Ledger Control A/c | | | 2,000 |
| (ix) | Selling and Distribution Overheads Control A/c | Dr. | 10,000 | |
| | To Cash | | | 10,000 |
| (x) | Office and Adm. Overheads Control A/c | Dr. | 4,000 | |
| | To Cash | | | 4,000 |
| (xi) | WIP Ledger Control A/c | Dr. | 4,10,000 | |
| | To Works Overheads Control A/c | | | 4,10,000 |
| (xii) | Finished Stock Control A/c | Dr. | 8,60,000 | |
| | To WIP Ledger Control A/c | | | 8,60,000 |

# Theoretical Questions from non-practical chapters

## Introduction to Cost Accounting

**Q.1.** Define Costing and Cost Accounting.

**Ans.:** **Costing :** It is a systematic procedure of ascertaining the cost of the product being manufactured or the service being rendered. This information enables the management in deciding the selling price to be charged from the customer.

**Cost Accounting :** It means the formal system of recording cost in the books of accounts. In other words, cost accounting means the application of some principles and techniques for the cost determination, fixation of selling price and ascertainment of profitability.

**Q.2.** Write a note on cost classification.

**Ans.:** 1. Classification According to Traceability to Cost Object

(i) **Direct Costs :** These are those costs which are incurred for and may be conveniently identified with, a particular product, process or department. Cost of raw materials used, wages of machine operators are common examples.

(ii) **Indirect Costs** : These costs cannot be conveniently identified with a particular cost unit, process of department. These are general costs and incurred for the benefit of a number of cost units or cost centres. Examples are rent, repairs, depreciation, managerial salaries, coal, lubricating oil, wages of foreman, etc.

2. Classification According to Cost Behaviour or Variability :

(i) **Fixed Costs :** These costs remain fixed in 'total' and do not increase or decrease with the volume of production But the fixed cost 'per unit' increases when the volume of production decreases, and vice versa.

(ii) **Variable Costs :** These costs change in proportion to the volume of production. In other words, when volume of output increases, total variable cost also increases, and vice versa. But the variable cost per unit remains fixed.

(iii) **Semi-variable or Semi-fixed Costs :** These costs are partly fixed and partly variable. A semi-variable cost has often a fixed element below which it will not fall at any level of output and the variable element changes either at a constant rate or in lumps.

Fixed costs are further classified into committed costs and discretionary costs.

(a) **Committed Costs :** These are the costs which cannot be avoided even if production is suspended in the short run. For example salary of the managing director, plant depreciation, etc.

(b) **Discretionary Costs :** These are the costs which may be avoided in the short run by management decisions. For example advertising, research and development costs.

3. **Classification According to Controllability :**

(i) **Controllable Costs :** These are the costs which may be directly regulated at a given level of management authority. Variable costs are generally controllable by department heads. For example, cost of raw material may be controlled by purchasing in larger quantities.

(ii) **Uncontrollable Costs :** These are those costs which cannot be influenced by the action of a specified member of an enterprise. Fixed costs are generally uncontrollable. For example, it is very difficult to control costs like factory rent, managerial salaries, etc.

**Q.3.** Define direct materials, direct labour and direct expenses.

**Ans.:** **Direct Materials :** It means those materials which can be conveniently identified with and can be directly allocated to a particular product, job, process or department.

***Examples :*** (a) Timber used in furniture.
(b) Refill used in pen.
(c) Paper used in book.
(d) Gold or silver used in jewellery.
(e) Bag of cement.

**Direct Labour :** It means such labour cost which can be conveniently identified with and can be directly allocated to a particular product, job, process or department.

***Examples :*** (a) Carpenter in furniture unit.
(b) Washer in dry cleaning unit
(c) Halwai in confectionery unit
(d) Baker in baking unit.

**Direct Expenses :** All direct costs other than direct materials and direct labour are termed as direct expenses. These can be conveniently identified with and directly allocated to a product, job, process or department.

***Examples :*** (a) Excise duty based on output produced.
(b) Royalty based on output produced.
(c) Cost of special mould and design.

**Q.4.** Define indirect materials, indirect labour and indirect expenses.

**Ans.:** **Indirect Materials :** It means those materials which cannot be conveniently identified with and cannot be directly allocated to a particular product, job, process or department.

***Examples :*** (a) Lubricant oil and grease used in manufacturing.
(b) Nails used in furniture.
(c) Thread used in stitching.

**Indirect Labour :** It means such labour cost which cannot be conveniently identified with and cannot be directly allocated to a particular product, job, process or department.

***Examples :*** (a) Labour exployed in accounting department.
(b) Labour employed in security department.
(c) Labour employed in machine shop such as tool setters, fitters and cleaners.
(d) Labour employed in repairs and maintenance department.

**Indirect Expenses :** All indirect costs other than indirect materials and indirect labour are termed as indirect expenses. These cannot be conveniently identified with and cannot be directly allocated to a product, job, process and department.

***Examples :*** (a) Rent and taxes of building.
(b) Repairs, insurance and depreciation on building, plant, machinery and furniture
(c) Telephone expenses.

**Q.5.** Define relevant cost and irrelevant cost.

**Ans.:** **Relevant Cost :** It represents such portion of total cost which differ under different alternatives. For example, in case of decision relating to replacement of old machine, the dismantling cost of old machine is a relevant cost.

**Irrelevant Cost :** It represents such portion of total cost which is same in different alternatives. It cannot be avoided by the management in any case. For example, while deciding whether to purchase to raw material or to manufacture it, the fixed cost is irrelevant. Such irrelevant cost is also known as sunk cost.

**Q.6.** Define shut down cost and out of pocket cost.

**Ans.:** **Shut down cost :** These are those fixed costs which continue to be incurred even if the plant is temporarily closed. For example, rent, insurance and depreciation on building.

**Out of pocket cost :** These are those costs which involves cash outlay. e.g. wages of workers, purchase of material, rent of building, etc.

**Q.7.** Define imputed (opportunity) cost and conversion cost.

**Ans.:** **Imputed cost / opportunity cost :** It is the notional cost in the form of the sacrifice made in a particular course of action. For example, rent of owned building and interest on owned capital.

**Conversion cost :** It means total cost incurred uptil production stage which converts raw material into finished goods. It is the aggregate of direct labour, direct expenses and production overheads.

**Q.8.** Define product cost and period cost.

**Ans.:** **Product Cost / Inventoriable Cost :** These are the cots which are assigned to the product. For example under marginal costing, variable manufacturing cost and under absorption coting, total manufacturing cost (variable and fixed) constitute product cost.

**Period Cost :** These are the costs which are not assigned to the product but are charged as expense against the revenue of the period. For example, all fixed cost under marginal costing and total non-manufacturing cost under absorption costing constitute period cost.

**Q.9.** Define cost centre, cost unit, profit centre and responsibility centre.

**Ans.:** **Cost Centre :** It is a part of the organization for which the cost may be ascertained for the purpose of recovery from the customer. Each production and service department in any organization may be treated as a separate cost centre. This is so because cost can be identified with each department. It is also to be noted that cost centres are established for control purposes also so as to ensure that actual cost does not deviate much from the standard cost.

**Cost Unit :** It is a unit of product, service or time in terms of which the cost is ascertained or expressed. For example, cost of steel manufactured is expressed in terms of per tonne and cost of carrying a passenger in terms of per km.

**Profit Centre:** It is such activity in a business organization which is responsible to bear the cost, generate revenue and earn profit. Each profit centre has a target profit and adopts such policies which are necessary to earn such profit.

**Responsibility Centre :** It is a function of an organization under the control of a manager who has direct responsibility for its performance. Each cost centre and profit centre in any organization can be treated as a responsibility centre.

**Q.10.** Define cost object & give three examples.

**Ans.:** Cost object is defined as anything for which a separate measurement of costs is desired. **Ex:** of cost object include a product, service, project, customer, brand category, activity, Deptt. Or program.

**Q.11.** Define and compare Cost Reduction and Cost Control.

**Ans.:** **Cost Reduction :**

Cost reduction is defined by C.I.M.A. London as "*the achievement of real and permanent reduction in the unit cost of goods manufactured or services rendered without impairing their suitability for use intended.*" This definition reveals the following characteristics of cost reduction :

(i) Cost reduction must be real - say, through increase in productivity.

(ii) Cost reduction must be per permanent - temporary reductions in cost due to windfalls, change in tax rates, change in market prices, etc. do not fall in the purview of cost reduction.

(iii) Cost reduction must not impair the suitability of products or services for the intended use. In other words, cost reduction should not be at the cost of essential characteristics of the products or services.

**Cost Control :**
The cost control is the function of keeping costs within prescribed limits. According to C.I.M.A., London, cost control *"is the regulation by executive action of the cost of operating an undertaking, particularly where such action is guided by cost accounting."* Cost control is based on the principle of pre-determined costs and achieving these cost levels so that inefficiencies and wastages may be reduced.

The main points of distinction between the two are as follows :

1. Cost reduction is the achievement of real and permanent reduction in cost whereas, cost control is the achievement of predetermined costs or targets.
2. The methods employed by the two techniques are different. Cost control is concerned with predetermining costs, comparing it with actual costs, analyzing the variances and taking corrective action. Cost reduction, on the other hand, is not concerned with maintenance of performance according to predetermined targets.
3. Cost reduction is a corrective function because it challenges the predetermined targets and seeks to improve performance for reducing costs. Cost control, on the other hand, is a preventive function as it aims to prevent the costs from exceeding the predetermined targets.

**Q.12. Explicit Cost and Implicit Cost**

**Ans.:** Explicit costs are those costs which require cash payment. For example, when materials are purchased, workers are employe, these are payable immediately in cash. Similarly, rent of building, insurance premium, pcwer cost, advertisement cost etc. are all payable immediately in cash. These are explicit costs.

As against explicit coss, the implicit costs are those which do not need to be paid in cash but are costs otherwise incurred. For example, depeciation on plant is a cost but is not payable in cash. This is an implicit cost.

**Q.13.** Distinguish between Financial Accounting and cost Accounting.

**Ans.:** Comparison of Cost Accounting and Financial Accounting :

| | *Basis* | *Financial Accounting* | *Cost Accounting* |
|---|---|---|---|
| 1. | Purpose | To prepare P & L A/c and Balance sheet for presentation to shareholders and other external users | To provide detailed cost information to management i.e. internal user. |
| 2. | Statutory requirements | This is mandatory under Companies Act, Income Tax Act, etc. | It is voluntary except in specified industries. |
| 3. | Cost and profit analysis | It reveals overall profit/loss and cost | It reveals cost and profit or loss for each product, department, etc. |
| 4. | Control aspect | It lays emphasis on recording of transactions | It lays emphasis on cost control. |
| 5. | Periodicity of reporting | P & L Account and Balance Sheet are generally prepared annually | Cost statements are regularly and frequently prepared at short intervals and presented to management. |
| 6. | Past and future costs | It is concerned with past records | It is concerned with past and future costs. |

**Q.14.** What are the factors to be kept in mind before the installation of a costing system ?

**Ans.:** The following factors must be considered before installing a costing system in an organisation :

1. **Nature of business :** The costing system to be introduced should be suitable to the general nature of business.
2. **Method and procedures in vogue :** Various methods and procedures for the purchase, receipts, storage, issue of materials and for other controls presently in use should be studied.
3. **Methods of wage payment :** The method of wage payment currently in use should be studied.
4. **Layout :** The system designers should study the size and layout of the organisation.
5. **Technical aspects :** The technical aspects of the business should be taken into consideration and an attempt should be made to get the sympathetic assistance and support of the members of supervisory staff and workers for the costing system.
6. **Management policies and expectations :** A careful and analytical study of the management's policies and expectations from such a system should be conducted.
7. **Simplicity of the system :** The costing system to be installed should be easy to understand and simple to operate. The procedures laid down should be easily understood by the operating staff.

**Q.15.** Discuss the essentials of a good Cost Accounting System?

**Ans.:**
1. It should be tailor-made, practical, simple & capable of meeting the requirements of a business concern.
2. The data used by the system should be accurate, otherwise it may distort the output of system.
3. The method of costing should be suitable to the industry.
4. Cost of installing & operating the system should justify the results.
5. Cost Accounting system should have the support of top management of the concern.
6. The system should have the necessary support from all the user's departments.
7. There should be a harmonious relationship between costing system & financial A/c.
8. The system should provide adequate checks on ordering, receipts, stocking, issuing & recording of materials.
9. The costing system should ensure proper recording of worker's time & their wages.
10. The cost accounting system should ensure that overheads are collected, accumulated apportioned & absorbed fairly & equitably.

# UNIFORM COSTING

**Q.1.** Define Uniform Costing ?

**Ans.:** The technique of cost accounting differs from one business to another and as such this difference makes it difficult to compare the cost information of one business with the another. An attempt is made to remove this difficulty with the help of uniform costing. Hence, uniform costing is the adoption of same costing principles by different undertakings in an industry. Here it must also be clarified that uniform costing is neither a separate costing like job costing or process costing not it is a separate costing technique like standard costing or marginal costing. For uniform costing there should be uniformity of certain principles and approach towards the collection and treatment of expenses.

**Q.2.** Discuss the point in respect of which uniformity is required to be established before introduction of uniform costing in an industry ?

**Ans.:** Following are the relevant points in this regard :

1. The method of costing to be adopted i.e. whether job costing or process costing or a combination of both.
2. The technique of costing to be adopted i.e. marginal costing, standard costing, etc.
3. A standard terminology in cost information and data.
4. Uniformity in classification of expenses and their allocation to respective accounting heads.
5. The basis and methods of overhead classification, allocation, apportionment and absorption.
6. The basis of apportionment of total expenses to service departments and the basis of apportionment of service department costs to the production departments.
7. Method and the rate of charging depreciation.
8. Treatment of research and development costs.
9. Treatment of defective work and waste.
10. Presentation of data and reporting to the management.

**Q.3.** What are the limitations of uniform costing ?

**Ans.:** The limitations of uniform costing are :

1. the technique of uniform costing may not be flexible enough to cover the needs of each individual member.
2. The members may not feel the mutual trust and confidence.
3. For smaller organisations, the cost of introduction and implementation of system may be too high to match with the benefits derived from the system.
4. The members firms may not like to share their business secrets.
5. It may lead to monopolistic condition and prices may be raised artificially by controlling the supplies.

**Q.4.** What are the essential requirements for success of uniform costing system ?

**Ans.:** Essential requirements for its success are :

1. There should be mutual co-operation and understanding among the members.
2. There should be mutual trust and confidence.
3. A common cost terminology should be prepared by the members units.
4. The approach of members should be flexible so that the changes may be introduced whenever required.

5. All the members should have a common interest which may be the fixation of a selling price or making inter-firm comparison.

**Q.5.** What are the objectives of uniform costing ? OR What is the need of uniform costing ?

**Ans.:**
1. It fixes a common price on the basis of uniform costing procedures.
2. It enables different member firms to compare the costs because the cost are based on same principles. Hence their profitability can also be compared.
3. Comparison of costs and profit help in measurement of efficiency of business.
4. It facilitates cost control.
5. Free exchange of information leads to improvement in the quality to product.

**Q.6.** What are the advantages of uniform costing ?

**Ans.:** **(A) Advantages to members firms**
1. Services of cost experts and consultant may be utilised jointly by all.
2. it is useful for cost control.
3. Cut throat competition is converted into a cŏmpetition on healthy lines.
4. The small units can share the benefits of the research and development carried out by bigger organisations.

**(B) Advantages to workers of members firms**
1. Workers can be paid at better rates and bonus schemes may be introduced for the benefits of all.
2. Labour turnover shall also be less because of uniform wage structure.
3. Recreational facilities can be arranged in a better way on a common basis.

**(C) Advantages to the consumers**
1. Consumers are benefited by lower selling price and better quality of products.
2. It creates confidence amongst the consumers because the prices are reliable and are representative of the whole industry.

**(D) Advantages to Government**
1. It helps in fixing minimum wages and fare wages in an industry.
2. Costing data is easily available to Govt. and it can make a decision on policy matters regarding grant of subsidy, import licence, etc.
3. It helps to control and regulate the prices of important products like cement, steel, etc.

**(E)** Advantages to trade associations
1. The associations can negotiate with the Govt. with better terms and conditions.
2. the association can do better for promotion of exports by improving the quality and reducing the selling price through joint efforts.

**Q.7.** Define Uniform Costing Manual.

**Ans.:** Uniform Costing Manual is a formal written document, generally in a form of a booklet, containing details instructions to be followed by member undertakings regarding installation and implementation of uniform costing system.

The information and instructions relates to relevant policies, functions, systems, procedures and methods relating to cost ascertainment, cost control and presentation of cost data.

The objective of uniform costing manual is to help the undertakings to ensure that their cost accounting system is in accordance with the uniformity requirements.

# INTER-FIRM COMPARISON

**Q.1.** Define inter-firm comparison.

**Ans.:** It means the comparison of the performance, efficiency, cost and profits of various firm in an industry. For this purpose, a central co-ordinating agency collects the data from its members regarding costs, efficiency and profit. The agency analysis the data and present it in a suitable form to all the members so that each firm can make its comparison with others. The comparison is usually made in codes, without disclosing the identity of the firms and the information usually provided in the form of ratios.

Inter-firm comparison is a tool of cost control in which the performance of one member is compared with those of others and it helps in increasing efficiency.

**Q.2.** What are the advantages of inter-firm comparison ?

**Ans.:** Inter-firm comparison is done on the basis of uniform costing. As such, advantages of uniform costing are also applicable to inter-firm comparison. However, the following additional advantages are obtained from inter-firm comparison.

1. It makes the management aware of its strength and weaknesses in relation to others in the industry.
2. It brings stability in the cost structure and the presentation of cost data.
3. It helps the management to control the costs because efforts are made to reduce the costs if they exceed in comparison with the other firms.
4. Unhealthy competition in the industry is minimised.
5. Productivity is improved when the weaknesses are located and rectified.

**Q.3.** What are the limitations on inter-firm comparison ?

**Ans.:** The limitations are :

1. The top management may be reluctant to disclose the data which it considers confidential.
2. The utility of inter-firm comparison may be doubted by some business concerns.
3. There may not be any cost accounting system properly executed in the firm.
4. There may not be available a suitable base for comparison purposes.
5. Time factor is completely ignored.
6. No adjustments are made for changes in prices.
7. No attention is given to the level of technology and technological developments.

The above mentioned limitations can be overcome to a large extent by explaining the advantages of uniform costing and inter-firm comparison to the management of various firms in an industry and installing a scientific cost system ensuring complete secrecy.

**Q.4.** What are the pre-requisites of inter-Firm comparison?

**Ans.:** For inter-firm comparison to be meaningful, following are the essentials:

1. All firms in the industry should follow this system.
2. All firms should provide the requisite information for comparison.
3. Information supplied should be collected with due care and skill.
4. There should not be any intention to conceal vital facts.
5. Methods of collecting, editing, classification, analysis and presentation of data should be systematic and determined in advance.

# COST AUDIT

**Q.1.** Define Cost Audit.

**Ans.:** Cost Audit is a procedure which is carried out to establish the accuracy of cost accounts. Following are the two functions of cost audit :

1. To verify that the cost accounts have been correctly maintained and compiled according to the cost accounting system employed by the concern.
2. To see that the cost accounting plan laid down is carried out.

**Q.2.** What are the functions of cost audit ?

**OR**

What are the functions of cost auditors ?

**Ans.:**
1. To establish the accuracy of cost data.
2. To detect errors and to prevent fraud and misappropriations.
3. To ensure that the objectives of cost accounting as determined by management are achieved.
4. To check the general working of costing department and to make suggestions for its improvement.

**Q.3.** What are the advantages of cost audits ?

**Ans.:** **(A) Advantages to the Management :**

1. Cost Audit acts as an effective managerial tool for detection of errors, frauds, inconsistencies, etc.
2. Audited cost data is helpful in inter-firm comparison.
3. It helps the management to present reliable and accurate costing information to the parties concerned.

**(B) Advantages to the Consumers :**

Cost Audit helps in ascertaining the true cost of production which helps in ascertaining the market price of the product. Hence, the consumer gets the advantage of the fair prices.

**(C) Advantages to the Shareholders :**

1. Cost Audit enables shareholders to determine whether or not they are getting a fair return on their investment.
2. Cost Audit ensures a true picture of company's state of affairs. It tells whether the resources of the business are being properly utilised or not.

**(D) Advantages to the Government :**

1. Cost Audit provides correct data to the government for fixing up the prices of the commodities.
2. It's an effective tool to see that conditions of countries economy remain healthy.
3. Productivity is increased and national income goes up.

**Q.4.** Write a short note on Cost Audit procedures ?

**Ans.:** The cost auditor should prepare a cost audit programme which should include the following steps :

1. Collection of actual and budgeted production and sales.
2. Comparison of actual and budgeted production and sales.
3. Analysis of variances.
4. Critical examination of all statements to be presented to the management for taking managerial decisions.
5. The same procedure of financial audit, i.e. vouching, checking, etc. should be followed to establish the correctness of accounts.
6. Profit as per cost accounts should be reconciled with that of profit as per financial accounts.

**Q.5.** Define Cost Audit Manual.

**Ans.:** It is a written formal document giving necessary details regarding conduct of cost audit. It may include –

(a) Objective of the cost audit.
(b) Authority to whom cost auditor has to report.
(c) Whether the cost audit is continuous or periodic.
(d) The list of cost records and accounts to be audited.
(e) Procedure, time schedule and other details.

**Q.6.** How is management audit different from cost audit?

**Ans.:** Management audit mainly examiners whether managerial decision making is effective or efficient. It is different from cost audit because –

(a) It has much wider scope as compared to cost audit
(b) Examination of vouchers and other documents is not given huge importance.
(c) Greater importance is given to usage of various control ratios for evaluating managerial performance.