J.K. SHAH TEST SERIES

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SUGGESTED SOLUTION

INTERMEDIATE N'18 EXAM

SUBJECT- COSTING

Test Code – PIN 5038

BRANCH - () (Date :)

ANSWER-1

ANSWER-A

(i) EOQ = $\sqrt{\dfrac{2\,AO}{C}}$

A = Annual consumption = $\dfrac{96000\ units\ \times 1kg.}{4\ units}$ = $24000\ kgs.$

O = Cost of placing order = Handling cost + Freight = Rs. 1,500 +Rs.4,000 = Rs.5,500

C = Carrying cost per kg. per annum

Carrying cost (Rs.1.50 × 12)   = Rs.18

Finance charges on investment in inventory   = Rs.8

                                  Rs.26

EOQ = $\sqrt{\dfrac{2\ \times 24000\ kgs.\ \times Rs.5500}{Rs.26}}$ = $3186.5\ kgs.$

(ii) Number of orders = 24,000 kgs./ 3,186.5 kgs. = 7.53 or 8 orders

Frequency in placing orders = 365 days / 8 orders = 45.63 or

46 days

(iii) If company places orders on quarterly basis, percentage of discount in price of raw material to be negotiated:

Cost under EOQ:

Ordering cost	8 orders × Rs. 5,500	44,000.00
Carrying cost	3,186.5kgs. × ½ × Rs.26	41,424.50
Total		85,424.50

Cost under Ordering on Quarterly Basis:

Ordering cost	4 orders × Rs.5,500	22,000.00
Carrying cost	(24,000 kgs./ 4 orders) × ½ × Rs.26	78,000.00
Total		1,00,000.00

Incremental cost if orders are placed on quarterly basis

= Rs.1,00,000– Rs. 85,424.50 = Rs. 14,575.50

Reduction in purchase price to be negotiated

= Rs.14,575.50 ÷ 24,000 kgs. = Rs.0.61 per kg.

Percentage of discount to be negotiated 0.61 ÷ 54 × 100 = 1.13%

(5 MARKS)

ANSWER-B   **(5 MARKS)**

Workings:

Let us assume that the selling price before increment is Rs.100, the other relevant details are as follows:

Particulars	Before increase	After increase
Selling Price	100	110
Variable Cost	60	63
Contribution	40	47
P/V Ratio	40%	42.73%

(i) Computation of Break-even point sales:

Break-even point sales $= \dfrac{fixed\ overheads}{Profit\ volume\ ratio}$

- Before increase $= \dfrac{RS.20,00,000}{40\%} = Rs.\,50,00,000$

- After increase $= \dfrac{RS.30,00,000}{42.73\%} = Rs.\,70,20,828\ (approx)$

(i) Sales value to make a profit of Rs.4,50,000:

$$\dfrac{Fixed\ overheads + Desired\ profit}{Profit\ volume\ ratio}$$

$$= \dfrac{Rs.30,00,000 + Rs.4,50,000}{42.73\%}$$

= Rs.80,73,953

ANSWER-C   (5 MARKS)

(i) Optimum batch size or Economic Batch Quantity (EBQ):

$$EBQ = \sqrt{\frac{2DS}{C}}$$

$$= \sqrt{\frac{2 \times 48000 \times 3200}{12}} = 5060 \; units$$

(ii) Number of Optimum runs = 48,000 ÷ 5,060 = 9.49 or 10 runs Interval between 2 runs (in days) = 365 days ÷ 10 = 36.5 days

(iii) Minimum Inventory Cost = Average Inventory × Inventory Carrying Cost per unit per annum Average Inventory = 5,060 units ÷ 2 = 2,530 units Carrying Cost per unit per annum = Rs.1 × 12 months = Rs.12 Minimum Inventory Holding Costs = 2,530 units × Rs. 12 = Rs.30,360

ANSWER-D   (5 MARKS)

Labour Turnover Rate (Replacement method) = $\frac{no.of\ workers\ replaced}{average\ no.of\ workers} \times 100$

Or, 10/100 = 50/ average no. of workers

Thus, Average No. of workers = 500

Labour Turnover Rate (Separation method) = $\frac{no.of\ workers\ separated}{average\ no.of\ workers} \times 100$

Or, 5/100 = no. of workers separated/ 500

Thus, No. of workers separated = 25

Labour Turnover Rate (Flux Method)

$$\frac{no.of\ separations + no.of\ accession\ (joinings)}{average\ no.of\ workers} \times 100$$

Or, 20/100 = 25 + no.of joinings / 500

Or, 100 (25 + No. of Accessions) = 10,000

Or,   25 + No. of Accessions   =100

Thus, No. of Accessions = 100 - 25 =75

Accordingly,

(i) Workers recruited and Joined = 75

(ii) Workers left and discharged = 25

(iii) Average number of workers on roll = 500

ANSWER-2

ANSWER-A

Stores Ledger Control A/c

Particulars	(Rs.)	Particulars	(Rs.)
To Balance b/d	90,000	By Work in Process Control A/c	4,80,000
To General Ledger Adjustment A/c	4,80,000	By Overhead Control A/c	60,000
To Work in Process Control A/c	2,40,000	By Overhead Control A/c (Deficiency)	18,000*
		By Balance c/d	2,52,000
	8,10,000		8,10,000

*Deficiency assumed as normal (alternatively can be treated as abnormal loss)

(2 MARKS)

Work in Process Control A/c

Particulars	(Rs.)	Particulars	(Rs.)
To Balance b/d	1,80,000	By Stores Ledger Control A/c	2,40,000
To Stores Ledger Control A/c	4,80,000	By Costing P/L A/c (Balancing figures being Cost of finished goods)	12,00,000
To Wages Control A/c	1,80,000	By Balance c/d	1,20,000
To Overheads Control A/c	7,20,000		
	15,60,000		15,60,000

Overheads Control A/c

Particulars	(Rs.)	Particulars	(Rs.)
To Stores Ledger Control A/c	60,000	By Work in Process Control A/c	7,20,000
To Stores Ledger Control A/c	18,000	By Balance c/d* (Under absorption)	1,38,000
To Wages Control A/c (Rs. 2,10,000- Rs.1,80,000)	30,000		
To Gen. Ledger Adjust. A/c	7,50,000		
	8,58,000		8,58,000

*Alternatively may be transferred to Costing P& L A/c

(2 MARKS)

Costing Profit & Loss A/c

Particulars	(Rs.)	Particulars	(Rs.)
To Work in Process Control A/c	12,00,000	By Gen. Ledger Adjust. A/c (Sales) (12,00,000+1,20,000)	13,20,000
To Gen. Ledger Adjust. A/c (Profit)	1,20,000		
	13,20,000		13,20,000

General Ledger Adjustment A/c may also be written as Cost Ledger Control A/c

(3 MARKS)

ANSWER-B

(10 MARKS)

Operating Cost Sheet

Fixed Cost:

Salaries 800 x 12	Rs. 9,600
Gate-keepers 10 x 200 x 12	24,000
Operators 2 x 400 x 12	9,600
Clerks 4 x 250 x 12	12,000
Administration Expenses	18,000

Depreciation:	
Premises Rs. 6,00,000 ÷15	40,000
Projector and Equipment 3,20,000 x 0.10	32,000
Total Fixed Cost	1,45,200
Variable Costs:	
Electricity and oil	11,655
Carbon	7,235
Misc. expenses	5,425
Advertisements	34,710
Hire of print	1,40,700
Total variable costs	1,99,725
Total cost	3,44,925
Add: 30% return on gross proceeds or 3/7 of cost	1,47,825
Gross Proceed	4,92,750
Total man-shows (refer to calculation below)	9,85,500
Cost per man-show	Re.0.50

Rate for each class:

Janata cost per man-show x weightage i.e., 0.50 x 1 = Re. 0.50

Sanman cost per man-show x weightage i.e., 0.50 x 2 = Re. 1.00

Lord's cost per man-show x weightage i.e., 0.50 x 3 = Rs. 1.50

Computation of man-shows :

No. of seats : Janata	= 250 seats
Sanman circle	= 250 seats
Lord's circle	= 125 seats

With weightage (i.e., express all seats in terms of Janata)

Janata 250 x 1 =		250 seats
Sanman circle 250 x 2 =		500 seats
Lord's circle 125 x 3 =		375 seats
		1,125 seats

No. of shows: 3

∴ Total weighted seats = 1,125 x 3 =		3,375 seats
Less : 20% vacant seats		675
		2,700
Man-shows per annum = 2,700 x 365 =		9,85,500

Notes :

1. Management expects 30% return on gross proceeds

Gross Proceeds	100
Return 30%	30
Cost	70

    It means relation to return to cost = 3/7

2. In this question, it is necessary to understand weightage concept. Whenever weightage is given, express the items having higher weightage in terms of item having lowest weightage so that all items can be expressed equally.

ANSWER-3

ANSWER-A

(i) Production Budget for January to March 2014 (Quantitative)

	Jan	Feb	Mar	April
Budgeted Sales	10,000	12,000	14,000	15,000
Add: Budgeted Closing Stock	2,400	2,800	3,000	3,000

(20% of sales of next month)	12,400	14,800	17,000	18,000
	2,700	2,400	2,800	3,000
Less: Opening Stock Budgeted Output	9,700	12,400	14,200	15,000

Total Budgeted Output for the Quarter ended March 31, 2014

= (9,700 + 12,400 + 14,200)= 36,300 units. **(3 MARKS)**

Raw Material Consumption Budget (in quantity)

Month	Budgeted Output (Units)	Material 'X' @ 4 kg per unit (Kg)	Material 'Y' @ 6 kg per unit (Kg)
January	9,700	38,800	58,200
February	12,400	49,600	74,400
March	14,200	56,800	85,200
April	15,000	60,000	90,000
Total			
		2,05,200	3,07,800

(3 MARKS)

Raw Materials Purchase Budget for the Quarter ended March 31, 2014(in quantity)

	Material X (kg)	Material Y (kg)
Raw material required for production	1,45,200	2,17,800
Add: Closing Stock of raw material	30,000	45,000
	1,75,200	2,62,800
	19,000	29,000
Less: Opening Stock of raw material Material to be purchased	1,56,200	2,33,800

(2 MARKS)

Calculation of Material Cost Variance   (4 MARKS)

(a)	(b)
Std Price × Std Mix × Std Qty for actual output	Std. Price × Std. Mix × Actual Qty.
	X-10 × 4/10 X 4,03,000 = 1612000
X – 10 × 4 × 40,000 = 16,00,000	
Y – 15 × 6 × 40,000 = 36,00,000	Y-15 X 6/10 X 4,03,000 = 36,27,000
52,00,000	52,39,000

(c)	(d)
Std Price × Actual Mix × Actual Qty	Actual Price × Actual Mix × Actual Qty.
X – 10 × 1,65,000 = 16,50,000	X – 10.20 × 1,65,000 = 16,83,000
Y – 15 × 2,38,000 = 35,70,000	Y – 15.10 × 2,38,000 35,93,800
52,20,000	52,76,800

Direct Material Usage Variance = (a – c)

X –   16,00,000 – 16,50,000   = 50,000 (A)

Y –   36,00,000 – 35,70,000   = 30,000 (F)

    52,00,000 – 52,20,000   = 20,000 (A)

Direct Material Price Variance = (c – d)

X –   16,50,000 – 16,83,000   = 33,000 (A)

Y –   35,70,000 – 35,93,800   = 23,800 (A)

    52,20,000 – 52,76,800   = 56,800 (A)

Direct Material Cost Variance = (a – d)

X –   16,00,000 – 16,83,000   = 83,000 (A)

Y –   36,00,000 – 35,93,800   =   6,200 (F)

    52,00,000 – 52,76,800   = 76,800 (A)

Verification:

Direct Material Cost Variance = Direct Material Usage Variance + Direct Material Price

Variance

= 20,000 (A) + 56,800 (A)

= 76,800 (A)

Alternative Solution (Total basis)

Direct Material Cost Variance = 52, 00,000 – 52, 76,800 =76,800 (A)

Direct Material Price Variance = 52, 20,000 – 52, 76,800 = 56,800 (A)

Direct Material Usage Variance = 52, 20,000 -52, 00,000 = 20,000 (A)

Calculation of Labour Cost Variances:

Budgeted output for the quarter = 36,300 units

Budgeted direct labour hours = 36,300 × ¾ hrs.

= 27,225 hours

Standard or Budgeted labour rate per hour

$= \dfrac{budgeted\ direct\ labour\ cost}{budgeted\ direct\ labour\ hours}$

= Rs. 1089000/ 27225 hours

= Rs. 40

Standard labour hours for actual output:

= 40,000 units × ¾ hour

= 30,000 hours

Actual labour hour rate = Rs. 1312000/ 32000 hours = Rs. 41

Direct Labour Efficiency Variance = Standard Rate × (Std. hrs – Actual hrs.)

= Rs. 40 × (30,000 – 32,000)

= Rs. 80,000 (A)

Direct Labour Rate Variance = Actual hrs. × (Std. Rate – Actual Rate)

= 32,000 × (40 – 41)

= Rs.32,000 (A)

Direct Labour Cost Variance = (Std. rate × Std. hrs.) – (Actual rate × Actual

hrs.)

$$= (40 \times 30,000) - (41 \times 32,000)$$

$$= 12,00,000 - 13,12,000$$

$$= 1,12,000 \text{ (A)}$$

Verification:

Direct Labour Cost Variance = Direct Labour Efficiency Variance + Direct Labour Rate Variance

$$= \text{Rs.}80,000 \text{ (A)} + \text{Rs.}32,000 \text{ (A)}$$

$$= 1,12,000 \text{ (A)}$$

ANSWER-B   (8 MARKS)

(a)   Contribution per unit = Rs. 30.00 - (6.00 + 7.50 + 2.50)=   Rs. 14

Contribution for the month = 5,200 x Rs. 14 =   Rs. 72,800

Less: Fixed Cost   =   27,400

Marginal Costing Profit   45,400

(b)   Sales 5,200 x Rs. 30   = Rs. 1,56,000

Less: Variable Cost

Material 5,200x 6   = Rs. 31,200

Labour 5,200x Rs. 7.50   39,000

Variable OH 5,200x Rs. 2.50   13,000

Total variable overhead   (83,200)

Fixed overhead 5,200 x Rs. 5   (26,000)

Over-absorbed overhead (Refer to Note)   1,600

Absorption Costing Profit   48,400

Note:

Overhead absorbed 5,800 x Rs. 5   = Rs. 29,000

Overhead incurred   27,400

Over-absorbed overhead   1,600

ANSWER-4

ANSWER-A

Particulars		Rs.	Particulars		Rs.
To Materials issued		90,000	By Material sold		18,125
To wages paid	75,000		By plant sold		2,875
Add : Outstanding	6,250	81,250	By plant at site c/d		7,750
To plant		25,000	By Material at site c/d		4,250
To sundry expenses	7,250		By work – in – Progress c/d		
Less : Prepaid	625	6,625	Work certified	2,18,750	
To Establishment charges		14,625	(Rs. 1,75,000 ÷ 80%)		
To costing P & L A/c.		3,125	Work uncertified	27,375	2,46,125
(Rs. 18,125 – Rs. 15,000)					
To Notional Profit (Profit for the year		58,500			
		2,79,125			2,79,125

(5 MARKS)

Calculation of Estimated Profit

			Rs.	Rs.
1)	Material consumed	(90,000 + 3,125 – 18,125)	75,000	
	Add: Further consumption		85,750	1,60,750
2)	Wages:		81,250	
	Add : Further cost	(87,325 – 6,250)	81,075	
	Add : Outstanding		8,300	1,70,625
3)	Plant used	(25,000 – 2,875)	22,125	
	Add: Further plant introduced		31,250	
	Less : Closing balance of plant		(3,750)	49,625
4)	Establishment charges		14,625	
	Add : Further charges for nine months	(14,625× 9/12)	10,969	25,594
5)	Sundry expenses		7,250	
	Add : Further expenses		6,875	14,125

6)	Reserve for contingencies			10,800
	Estimated profit	(balancing figure)		68,481
	Contract price			5,00,000

(5 MARKS)

ANSWER-B

(i)   **Statement Showing "Cost *per unit* - Traditional Method"**

Particulars of Costs	P (Rs.)	Q (Rs.)	R (Rs.)
Direct Materials	90	80	120
Direct Labour [(4, 12, 8 hours) X Rs.20]	80	240	160
Production Overheads [(10, 18, 14 hours) X Rs.6]	60	108	84
Cost *per unit*	230	428	364

(2 MARKS)

(ii) Statement Showing "Cost *per unit* - Activity Based Costing"

Products	P	Q	R
Production (units)	3,000	5,000	20,000
	(Rs.)	(Rs.)	(Rs.)
Direct Materials (90, 80, 120)	2,70,000	4,00,000	24,00,000
Direct Labour (80, 240, 160)	2,40,000	12,00,000	32,00,000
Machine Related Costs @ Rs.1.80 *per hour* (30,000, 90,000, 2,80,000)	54,000	1,62,000	5,04,000
Setup Costs @ Rs.9,600 *per setup* (20, 10, 20)	1,92,000	96,000	1,92,000
Inspection Costs @ Rs.4,800 *per inspection* (100, 40, 60)	4,80,000	1,92,000	2,88,000
Purchase Related Costs @ Rs.750 *per purchase* (60, 100, 160)	45,000	75,000	1,20,000
Total Costs	12,81,000	21,25,000	67,04,000
Cost *per unit*(Total Cost X Units)	427.00	425.00	335.20

(3 MARKS)

Number of Batches, Purchase Orders, and Inspections-

	Particulars		P	Q	R	Total
A.	Production (units)		3,000	5,000	20,000	
B.	Batch Size (units)		150	500	1,000	
C.	Number of Batches	[A / B]	20	10	20	50
D.	Number of Purchase Order *per batch*		3	10	8	
E.	Total Purchase Orders	[C X D]	60	100	160	320
F.	Number of Inspections *per batch*		5	4	3	
G.	Total Inspections	[C X F]	100	40	60	200

Total Machine Hours-

	Particulars		P	Q	R
A.	Machine Hours *per unit*		10	18	14
B.	Production (units)		3,000	5,000	20,000
C.	Total Machine Hours	[A X B]	30,000	90,000	2,80,000

Total Machine Hours = 4,00,000

Total Production Overheads-

= 4,00,000 hrs. X Rs. 6 = Rs. 24,00,000

Cost Driver Rates-

Cost Pool	%	Overheads (Rs.)	Cost Driver (Units)	Cost Driver Rate (Rs.)
Setup	20%	4,80,000	50	9,600 per Setup
Inspection	40%	9,60,000	200	4,800 per Inspection
Purchases	10%	2,40,000	320	750 per Purchase
Machine Hours	30%	7,20,000	4,00,000	1.80 per Machine Hour

ANSWER-5

ANSWER-A

1. **Statement of Equivalent Production (FIFO Method)**

Input		Output		Equivalent Production			
				Material		Labour & Overheads	
Particulars	Units	Particulars	Units	(%)	Units	(%)	Units
Opening WIP	8,000	Transfer to next Process:					
Introduced	1,82,000	Opening WIP completed	8,000	--	--	40	3,200
		Introduced & completed	1,50,000	100	1,50,000	100	1,50,000
		Normal loss 10% (8,000 + 182,000)	19,000	--	--	--	--
		Abnormal gain	(5,000)	100	(5,000)	100	(5,000)
		Closing WIP	18,000	100	18,000	70	12,600
	1,90,000		1,90,000		1,63,000		1,60,800

(5 MARKS)

(ii) Computation of Cost per unit

Particulars	Materials (Rs.)	Labour (Rs.)	Overhead (Rs.)
Input of Materials	1,47,50,000	--	--
Expenses	--	68,12,000	34,06,000

	Total	1,47,50,000	68,12,000	34,06,000
	Less: Sale of Scrap (19,000 units × Rs.15)	(2,85,000)	--	--
	Net cost	1,44,65,000	68,12,000	34,06,000
	Equivalent Units	1,63,000	1,60,800	1,60,800
	Cost Per Unit	88.7423	42.3632	21.1816

Total cost per unit = Rs. (88.7423+42.3632+21.1816) = Rs.152.2871

(2 MARKS)

(iii) **Value of units transferred to next process:**

	Amount (Rs.)	Amount (Rs.)
Opening W-I-P	15,00,000.00	
Add: Labour (3,200 units × Rs. 42.3632)	1,35,562.24	
Overhead (3,200 units × Rs. 21.1816)	67,781.12	17,03,343.36
New introduced (1,50,000 units × Rs. 152.2871)		2,28,43,065.00
		2,45,46,408.36

(3 MARKS)

ANSWER-B   **(10 MARKS)**

Budgeted Cost Sheet for the year 2014

Particulars		(Amount Rs.)
Direct material consumed	12,00,000	
Add: 44% due to increased output	5,28,000	
	17,28,000	
	1,03,680	
Less: 6% for decline in price Direct wages	7,00,000	16,24,320
	4,20,000	

(manufacturing) *Add*:			11,20,000
60% increase			27,44,320
Prime cost			
Manufactured Overhead:			
Fixed	3,60,000		
Add: 20% increase	72,000		
		4,32,000	
Variable	2,50,000		
Add: 60% increase	1,50,000	4,00,000	8,32,000
			35,76,320
			3,97,369
Cost of production Add: 1/9 of Cost or 10% on selling price			39,73,689
Selling price			

Production will increase by 60% but efficiency will decline by 10%.

160 – 10% of 160 = 144%

So increase by 44%.

Note: If we consider that variable overhead once will change because of increase in production (From Rs. 2,50,000 to Rs. 4,00,000) then with efficiency declining by 10% it shall be Rs. 3,60,000 and then again as mentioned in point No. (iii) of this question it will increase by 60% then variable overhead shall be Rs.3,60,000 X 160% = Rs. 5,76,000. Hence, total costs shall be Rs.37,52,320 and profit shall be 1/9th of Rs.37,52,320 = Rs.4,16,924. Thus, selling price shall be Rs. 41,69,244.

ANSWER-6

ANSWER-A (5 MARKS)

Level of activity method: Under this method, the variable overhead may be determined by comparing two levels of output with the amount of expenses at those levels. Since the fixed element does not change, the variable element may be ascertained with the help of the following formula.

Change in the amount of expense/ change in the quantity of output

Suppose the following information is available:

	Production Units	Semi-variable expenses (Rs.)
January	100	260
February	140	300
Difference	40	40

The variable cost :

Change in semi- variable expense/ change in production volume

=Rs. 40/ 40 units = Rs. 1/unit

Thus, in January, the variable cost will be 100 × Re. 1 = Rs. 100 and the fixed cost element will be (Rs. 260 – Rs. 100) or Rs. 160. In February, the variable cost will be 140 × Re. 1 = Rs. 140 whereas the fixed cost element will remain the same, i.e., Rs. 160.

ANSWER-B (5 MARKS)

The difference between the allocation and apportionment is important to understand because the purpose of these two methods is the identification of the items of cost to cost un its or centers. However, the main difference between the above methods is given below.

(1) Allocation deals with the whole items of cost, which are identifiable with any one department. For example, indirect wages of three departments are separately obtained and hence each department will be charged by the respective amount of wages individually.

On the other hand, apportionment deals with the proportions of an item of cost for example; the cost of the benefit of a service department will be divided between those departments which has availed those benefits.

(2) Allocation is a direct process of charging expenses to different cost centres whereas apportionment is an indirect process because there is a need for the identification of the appropriate portion of an expense to be borne by the different departments benefited.

(3) The allocation or apportionment of an expense is not dependent on its nature, but the relationship between the expense and the cost centre decides that whether it is to be

allocated or apportioned.

(4) Allocation is a much wider term than apportionment.

ANSWER-C   (5 MARKS)

Difference between cost control and cost reduction are tabulated as below:

Cost Control	Cost Reduction
1. Cost control aims at maintaining the costs in accordance with the established standards.	1. Cost reduction is concerned with reducing costs. It challenges all standards and endeavours to better them continuously
2. Cost control seeks to attain lowest possible cost under existing conditions.	2. Cost reduction recognises no condition as permanent, since a change will result in lower cost.
3. In case of Cost Control, emphasis is on past and present	3. In case of cost reduction it is on present and future.
4. Cost Control is a preventive function	4. Cost reduction is a corrective function. It operates even when an efficient cost control system exists.
5. Cost control ends when targets are achieved	5. Cost reduction has no visible end.

ANSWER-D   (5 MARKS)

Like other branches of accounting, cost and management accounting is also having certain limitations. The limitations of cost and management accounting are as follows:

1. **Expensive:** It is expensive because analysis, allocation and absorption of overheads require considerable amount of additional work, and hence additional money.

2. **Requirement of Reconciliation:** The results shown by cost accounts differ from those shown by financial accounts. Thus Preparation of reconciliation statements is necessary to verify their accuracy.

3. **Duplication of Work:** It involves duplication of work as organization has to maintain two sets of accounts i.e. Financial Account and Cost Account.

4. **Inefficiency:** Costing system itself does not control costs but its usage does.