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SUGGESTED SOLUTION

CA INTERMEDIATE NOV'19

SUBJECT- COSTING

Test Code - CIM 8359

BRANCH - () (Date :)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel : (022) 26836666

ANSWER-1

Cost Ledger Control Account

Dr. Cr.

	(Rs.)		(Rs.)
To Store Ledger Control A/c	13,000	By Opening Balance	6,85,000
		By Store ledger control A/c	1,25,000
To Balance c/d	9,42,000	By Manufacturing Overhead Control A/c	85,000
		By Wages Control A/c	60,000
	9,55,000		9,55,000

Stores Ledger Control Account

Dr. Cr.

	(Rs.)		(Rs.)
To Opening Balance	3,00,000	By WIP Control A/c	1,35,000
To Cost ledger control A/c	1,25,000	By Cost ledger control A/c (Returns)	13,000
		By Balance c/d	2,77,000
	4,25,000		4,25,000

WIP Control Account

Dr. Cr.

	(Rs.)		(Rs.)
To Opening Balance	1,50,000	By Finished Stock Ledger Control A/c	2,25,000
To Wages Control A/c	40,000	By Balance c/d	1,85,000
To Stores Ledger Control A/c	1,35,000		
To Manufacturing Overhead Control A/c	85,000		
	4,10,000		4,10,000

Finished Stock Ledger Control Account

Dr. Cr.

	(Rs.)		(Rs.)
To Opening Balance	2,50,000	By Cost of Sales	1,75,000
To WIP Control A/c	2,25,000	By Balance c/d	3,09,000
To Cost of Sales A/c (Sales Return)	9,000		
	4,84,000		4,84,000

Manufacturing Overhead Control Account

Dr. Cr.

	(Rs.)		(Rs.)
To Cost Ledger Control A/c	85,000	By Opening Balance	15,000
To Wages Control A/c	20,000	By WIP Control A/c	85,000
		By Under recovery c/d	5,000
	1,05,000		1,05,000

Wages Control Account

Dr. Cr.

	(Rs.)		(Rs.)
To Transfer to Cost Ledger Control A/c	60,000	By WIP Control A/c	40,000
		By Manufacturing Overhead Control A/c	20,000
	60,000		60,000

Cost of Sales Account

Dr. Cr.

	(Rs.)		(Rs.)
To Finished Stock Ledger Control A/c	1,75,000	By Finished Stock Ledger Control A/c	9,000
		By (Sales return)	1,66,000
		Balance c/d	
	1,75,000		1,75,000

Trial Balance

	(Rs.)	(Rs.)
Stores Ledger Control A/c	2,77,000	
WIP Control A/c	1,85,000	
Finished Stock Ledger Control A/c	3,09,000	
Manufacturing Overhead Control A/c	5,000	
Cost of Sales A/c	1,66,000	
Cost ledger control A/c	----	9,42,000
	9,42,000	**9,42,000**

(12 MARKS)

ANSWER-2

Statement of Reconciliation

No.	Particulars	Amt. (Rs.)	Amt. (Rs.)
	Net loss as per Cost Accounts		(35,400)
	Additions		
1.	Factory O/H over recovered	1,35,000	
2.	Dividend Received	20,000	
3.	Bank Interest received	13,600	

4.	Difference in value of Opening Stock (1,65,000 – 1,45,000)	20,000	
5.	Difference in Value of closing Stock (1,32,000 – 1,25,500)	6,500	
6.	Notional Rent of own Premises	60,000	2,55,100
	Deductions		
1.	Administration O/H under recovered	25,500	
2.	Depreciation under charged	26,000	
3.	Loss due to obsolescence	16,800	
4.	Income tax provided	43,600	
5.	Goodwill written off	25,000	
6.	Provision for doubtful debts	15,000	(1,51,900)
	Net Profit as per Financial A/c.		67,800

(6 MARKS)

ANSWER-3

Journal entries are as follows:

	DR. (Rs.)	CR. (Rs.)
Stores Ledger Control A/c... ..... Dr.	2,00,000	
To Payables (Creditors) A/c (Materials purchased)		2,00,000
Work-in-Process ControlA/c... ..... Dr.	1,50,000	
To Stores Ledger Control A/c (Materials issued to production)		1,50,000
Wages Control A/c... ..... Dr.	1,20,000	
To Bank A/c (Wages paid)		1,20,000
Factory OverheadControl A/c..... Dr.	36,000	
To Wages Control A/c (30% of wages paid being indirect charged to overhead)		36,000
Work-in-ProcessControlA/c... ..... Dr.	84,000	
To Wages Control A/c (Direct wages charged to production)		84,000
Factory Overhead Control A/c... ..... Dr.	84,000	
To Bank A/c (Manufacturing overhead incurred)		84,000
Work-in-Process Control A/c..... Dr.	92,000	
To Factory Overhead Control A/c (Manufacturing overhead		

charged to production)		**92,000**
Selling and Distribution Overhead Control A/c… ..... Dr. To Bank A/c (Selling and distribution costs incurred)	20,000	 **20,000**
Finished Goods Control A/c ..... Dr. To Work-in-Process Control A/c (Cost of finished goods)	2,00,000	 **2,00,000**
Cost of Sales A/c… ..... Dr. To Finished Goods Control A/c To Selling and Distribution Control A/c (Costs of goods sold)	2,20,000	 **2,00,000** **20,000**
Receivables (Debtors) A/c… ..... Dr. To Sales A/c (Finished stock sold)	2,90,000	 **2,90,000**
Bank A/c… ..... Dr. To Receivables (Debtors) A/c (Receipts from receivables)	69,000	 **69,000**
Payables (Creditors) A/c… ..... Dr. To Bank A/c (Payment made to payables)	1,10,000	 **1,10,000**

(8 MARKS)

ANSWER-4

(a) Material price variance :

= (Standard price – Actual Price) × Actual quantity

= (Rs. 4 – Rs. 4.10) × 5,000 = Rs. 500 Adv.

(b) Material usage variance :

= (Std. quantity for actual output – Actual qtty.) × Std. price

= (600 × 5 – 3,500) × 4 = Rs. 2,000 Adv.

(c) Labour Rate Variance :

= (Standard rate – Actual rate) × Actual hours

= (Rs. 10 – Rs. 9) × 1,700 = Rs. 1,700 Fav.

(d) Labour Efficiency Variance :

= (Standard hours for actual output – Actual hours) × Standard rate

= (600 × 3 – 1,700) × Rs. 10

= Rs. 1,000 Fav.

(e) Variable Overhead Expenditure Variance

= (Actual Hours × Standard Rate) – Actual Overhead

= (1,700 × Rs. 1) – Rs. 1,900

= Rs. 200 Adv.

(f) Variable Overhead Efficiency Variance :

= Std. hours of actual output – Actual hours) × Std. rate

= (600 × 3 – 1,700) × Rs. 1 – Rs. 100 Fav.

(g) Fixed Overhead Expenditure Variance :

= (Budgeted Overhead – Actual overhead)

= (1,800 × 0.50 – 900) = Nil

(h) Fixed Overhead Volume Variance :

= (Std. hours of actual output – Budgeted hours) × Std. rate

= (600 × 3 – 1,800) × Rs. 0.50 = Nil

(i) Fixed Overhead Capacity Variance :

= (Budgeted hours – Actual Hours) × Standard rate

= (1,800 – 1,700) × Rs. 0.50 = Rs. 50 Adv.

(j) Fixed Overhead Efficiency Variances :

= (Std. hours for actual output – Actual hours) × Standard rate

= (600 × 3 – 1,700) × Rs. 0.50 = Rs. 50 Fav.

Verification :	**(Rs.)**	**(Rs.)**
Overhead recovered : 600 units @ Rs. 4.50		2,700
Actual Overhead :		
Variable	1,900	
Fixed	900	2,800
		100 Adv.
Variable expenditure variance		200 Adv.
Variable Efficiency variance		100 Fav.
Fixed expenditure variance		NIL
Fixed overhead volume variance		NIL
		100 Adv

Reconciliation Statement

Standard Cost : 600 units @ Rs. 54.50		32,700	
Actual Cost :	38,600		
Less : Material Stock at standard cost : (1,500 × Rs. 4)	6,000	(32,600)	100 Fav.
Variances :	Adv.(Rs.)	Fav. (Rs.)	
Material Price	500		
Material usage	2,000		
Labour rate		1,700	
Labour efficiency		1,000	
Variable expenditure	200		
Variable efficiency		100	
Total	2,700	2,800	100 Fav.

(10 marks)

ANSWER-5

A.

(i) **Actual Quantity and Actual Price of material used**

Material Price Variance = Actual Quantity (Std. Price – Actual Price) =

Rs.51,000 Or, AQ (SP – AP)= Rs. 51,000

Or, 10 AQ = Rs. 51,000

Or, AQ = 5,100 kgs

Actual cost of material used is given i.e.

AQ x AP = Rs. 7,14,000

Or, 5,100 AP = Rs. 7,14,000

AP = Rs. 140

Actual price is less by Rs. 10

So, Standard Price = Rs. 140 + Rs. 10 = Rs. 150 per kg

Actual Quantity = 5,100 kgs

Actual Price = Rs. 140/kg

(ii) **Material Usage Variance**

Std. Price (Std. Quantity – Actual Quantity)

Or, SP (SQ – AQ) = Rs. 150 (1,000 units x 5 kg – 5,100 kg)

= Rs. 15,000 (A)

(iii) **Material Cost Variance** = Std. Cost – Actual Cost

= (SP x SQ) – (AP x AQ)

= Rs. 150 x 5,000 – Rs. 140 x 5,100

= Rs. 7,50,000 – Rs. 7,14,000

= Rs. 36,000 (F)

OR

Material Price Variance + Material Usage Variance

Rs. 51,000 (F) + Rs.15,000 (A)= Rs. 36,000 (F)

(3*2 = 6 marks)

B. **Working Note:**

Table Showing Standard & Actual Cost

Worker	Standard Hours (a)	Standard Rate per Hour (b)	Standard Cost for Actual Output (c) = (a x b)	Actual Hours Paid (d)	Actual Rate per hour (e)	Actual Cost (f) = (d) x (e)	Idle time (g)	Actual hours worked (h)=(d)-(g)
Skilled	2,340 hrs. [(65 Workers x 40 hrs.)/ 2,000 units)] x1,800 units	Rs. 45	Rs.1,05,300	2,000 hrs. (50 Workers x 40 hrs.)	Rs. 50	Rs.1,00,000	100 hrs. (50 Workers x 2 hrs.)	1,900 hrs. (2,000 hrs.-100 hrs.)
Semi- skilled	720 hrs. [(20 Workers x	Rs.30	Rs.21,600	1,200 hrs. (30 Workers	Rs.35	Rs.42,000	60 hrs. (30	1,140 hrs. (1,200 hrs.-60
	40 hrs.)/ 2,000 units)] x1,800 units			x 40 hrs.)			Workers x 2 hrs.)	hrs.)
Unskilled	540 hrs.	Rs.15	Rs.8,100	800 hrs.	Rs.10	Rs.8,000	40 hrs.	760 hrs.
	[(15 Workers x 40 hrs.)/ 2,000 units)] x1,800 units			(20 Workers x 40 hrs.)			(20 Workers x 2 hrs.)	(800 hrs.-40 hrs.)
Total	3,600 hrs.		Rs.1,35,000	4,000 hrs.		Rs.1,50,000	200 hrs.	3,800 hrs.

Calculation of Variances

(i) Labour Cost Variance = Standard Cost for actual output – Actual cost

Skilled worker = Rs.1,05,300 - Rs.1,00,000

= Rs. 5,300 (F)

Semi-skilled worker = Rs. 21,600 - Rs. 42,000

= Rs. 20,400 (A)

Unskilled Worker = Rs. 8,100 - Rs. 8,000

= Rs.100 (F)

Total = Rs.5,300 (F) + Rs.20,400 (A) + Rs.100 (F)

= Rs.15,000 (A)

(ii) Labour Efficiency Variance = Std. Rate x (Standard hours – Actual hours worked)

Skilled worker = Rs. 45 x (2,340 hrs. - 1,900 hrs.)

= Rs.19,800 (F)

Semi-skilled worker = Rs. 30 x (720 hrs. - 1,140 hrs.)

= Rs. 12,600 (A)

Unskilled Worker = Rs. 15 x (540 hrs. - 760 hrs.)

= Rs. 3,300 (A)

Total = Rs.19,800 (F) + Rs.12,600 (A) + Rs.3,300 (A)

= Rs.3,900 (F)

(iii) Labour Idle Time Variance = Std. Rate x Idle Time (Hrs.)

Skilled worker = Rs. 45 x 100 hrs.

= Rs. 4,500 (A)

Semi-skilled worker = Rs. 30 x 60 hrs.

= Rs. 1,800 (A)

Unskilled worker = Rs. 15 x 40 hrs.= Rs. 600 (A)

Total = Rs. 4,500 (A) + Rs. 1,800 (A) + Rs. 600 (A)

= Rs. 6,900 (A)

(8 marks)