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SUGGESTED SOLUTION

CA INTERMEDIATE NOV'19

SUBJECT- COSTING

Test Code - CIM 8379

BRANCH - () (Date :)

Answer 1:

Process – P Account

Particulars	Kg.	Amt. (Rs.)	Particulars	Kg.	Amt. (Rs.)
To Input	10,000	50,000	By Normal wastage	1,000	1,000
			(1,000 kg. × Rs. 1)		
To Direct Material	----	38,000	By Process – Q (9,000 kg. × Rs. 15.50)	9,000	1,39,500
To Direct Labour	----	30,000			
To Production OH (Rs. 90,000 × 3/12)	----	22,500			
	10,000	1,40,500		10,000	1,40,500

(2 marks)

Cost per unit = $\frac{Rs.1,40,500 - Rs.1,000}{10,000\ kg. - 1,000\ kg.}$ = Rs. 15.50 **(1 mark)**

Process - Q Account

Particulars	Kg.	Amt. (Rs.)	Particulars	Kg.	Amt.(Rs.)
To Process – P A/c.	9,000	1,39,500	By Normal wastage	900	900
			(900 kg. × Rs. 1)		
To Direct Material	----	42,500	By Process – Q	8,200	2,54,200
To Direct Labour	----	40,000	(8,200 kg. Rs. 31)		
To Production OH (Rs. 90,000 × 4 /12)	---	30,000			
To Abnormal Gain (100 kg. × Rs. 31)	100	3,100			
	9,100	2,55,100		9,100	2,55,100

(2 marks)

Cost per unit = $\frac{Rs.2,52,000 - Rs.900}{9,000\ kg. - 900\ kg.}$ = Rs. 31 **(1 mark)**

Process – R Account

Particulars	Kg.	Amount	Particulars	Kg.	Amount
To Process – Q A/c.	8,200	2,54,200	By Normal wastage	820	820
To Direct Material	---	42,880	By Abnormal loss	80	4,160
To Direct Labour	---	50,000	By Finished Goods	7,300	3,79,600
To Production OH (Rs. 90,000 × 5/12)	----	37,500	(7,300 kg. × Rs. 52)		
	8,200	3,84,580		8,200	3,84,580

(2 marks)

Cost per unit = $\frac{Rs.3,84,580 - Rs.820}{8,200\ kg. - 820\ Kg.}$ = Rs. 52 **(1 mark)**

Calculation of Selling price per unit of end product :	
Cost per unit	Rs. 52.00
Add : Profit 25% on selling price i.e. 1/3rd of cost	Rs. 17.33
Selling price per unit	Rs. 69.33

(1 mark)

Answer 2:

Dr.   **Contract Account for the year ended 31st March, 2019**   Cr.

Particulars	HP – 1(Rs.)	HP – 2(Rs.)	Particulars	HP – 1(Rs.)	HP – 2 (Rs.)
To Balance b/d : W – I – P	7,80,000	2,80,000	By closing material at site	47,000	52,000
To Material purchased	6,20,000	8,10,000	By W.I. P :		
To Wages : (Rs. 85,000 + Rs. 12,000) (Rs. 62,000 + Rs. 8,400)	97,000	70,400	Value of work certified Cost of work not certified	20,50,000 1,90,000	16,10,000 1,40,000
To Donation to local club*	5,000	2,500			
To Plant hire charges : (Rs. 72,000 × 1/3) (Rs. 57,000 × 1/3) To Depreciation on concrete mixture** : (Rs. 8,20,000 × 15% × 180/365) (Rs. 8,20,000 × 15% × 100/365)	24,000 60,658	19,000 33,699			
To Notional profit	7,00,342	5,86,401			
	22,87,000	18,02,000		22,87,000	18,02,000

*Assuming donation paid to local club was exclusively for the above projects, hence included in the contract account.

** Depreciation on concrete mixture machine is charged on the basis of number of days used for the projects, as it is clearly mentioned in the question that this machine can be used for other projects also.

(Land purchased and brokerage and registration fee paid for this purpose cannot be charged to contract account, hence not included in the contract account)

(8 marks)

Answer 3:

(a)   Cost sheet for the year ended 31st March, 2018.

      Units produced – 14,000 units

      Units sold – 14,153 units

Particulars	Amt. (Rs.)
Raw materials purchased	42,25,000
Add : Freight Inward	1,00,000
Add : Opening value of raw materials	2,28,000
Less : Closing value of raw materials	(3,05,000)
	42,48,000
Less : Sale of scrap of material	8,000
Materials consumed	42,40,000
Direct Wages (12,56,000 + 1,50,000)	14,06,000
Prime Cost	56,46,000
Factory overheads (20% of Rs. Prime Cost)	11,29,200
Add : Opening value of W – I – P	1,92,500
Less : Closing value of W – I – P	(1,40,700)
Factory Cost	68,27,000
Add : Administrative overheads	1,73,000
Cost of Production	70,00,000
Add : Value of opening finished stock	6,08,500
Less : Value of closing finished stock	6,08,500
[Rs. 500 (70,00,000/14,000) × 1,064)	
(1,217 + 14,000 – 14,153 = 1,064 units)	(5,32,000)
Cost of Goods sold	70,76,500
Distribution expenses (Rs. 16 × 14,153 units)	2,26,448
Cost of Sales	73,02,948
Profit (Balancing figure)	14,43,606
Sales (Rs. 618 × 14,153 units)	87,46,554

(10 marks)

Answer 4:
Working Note: Is Let x be the cost of material and y be the normal rate of wage per hour.

Factory Cost of workman Vishnu:

Material cost   Rs. x

Wages   60 y

Bonus under Rowan System $= \dfrac{\text{Time saved}}{\text{Time allowed}}$ x Hrs. worked x Rate per hr.

$$= (40 / 100) \times 60\, y = 24\, y$$

Overhead, i.e., 60 x 10 = 600

Factory cost = x + 60 y + 24 y + Rs. 600 = Rs. 7280 or   x + 84 y = Rs. 6680   ...(1)

Factory cost of workman Shiva:

Material   Rs. x

Wages   80 y

Bonus under Halsey Premium Plan   = Hrs. Saved * 50 % * Rate per hr.

                                      = 20* 50% * y = 10 y

Overhead (80 x 10)   = 800

Factory cost = x + 80y + 10y + Rs. 800 = 7,600 or   x + 90y = Rs. 6,800 ...(2)

From (i) and (ii) value of y = 20

∴ Rate per hour Rs, 20

Bonus paid to Vishnu = 24 x Rs. 20 = Rs. 480

Bonus paid to Shiva = 10 x Rs. 20 = Rs. 200

(a)   Normal Wages = Rs. 20 per hour as per Working Note above.

(b)   The cost of material:

We know that x + 90y   = Rs. 6,800

or x + (90 x 20) = Rs. 6,800 or x = Rs. 5,000

(c)   Comparative statement of the factory cost of the product made by the two workmen

	Vishnu	Shiva
Material Cost	Rs. 5,000	Rs. 5,000
Direct Wages 60 x 20	1,200	-
80 x 20	-	1,600
Bonus (See Working Note above)	480	200
Factory Overhead	600	800
Factory Cost	7,280	7,600

(10 marks)

Answer 5:

The main points which distinguish job costing and process costing are as below:

	Job Costing	Process Costing
(i)	A Job is carried out or a product is produced by specific orders.	The process of producing the product has a continuous flow and the product produced is homogeneous.
(ii)	Costs are determined for each job.	Costs are compiled on time basis i.e., for production of a given accounting period for each process or department.
(iii)	Each job is separate and independent of other jobs.	Products lose their individual identity as they are manufactured in a continuous flow.
(iv)	Each job or order has a number and costs are collected against the same job number.	The unit cost of process is an average cost for the period.
(v)	Costs are computed when a job is completed. The cost of a job may be determined by adding all costs against the job.	Costs are calculated at the end of the cost period. The unit cost of a process may be computed by dividing the total cost for the period by the output of the process during that period.
(vi)	As production is not continuous and each job may be different, so more managerial attention is required for effective control.	Process of production is usually standardized and is therefore, quite stable. Hence control here is comparatively easier.

(5 marks)

Answer 6:

(A)

Accounting treatment of idle time wages & overtime wages in cost accounts: Normal idle time is treated as a part of the cost of production. Thus, in the case of direct workers, an allowance for normal idle time is built into the labour cost rates. In the case of indirect workers, normal idle time is spread over all the products or jobs through the process of absorption of factory overheads.

Under Cost Accounting, the overtime premium is treated as follows:

➤ If overtime is resorted to at the desire of the customer, then the overtime premium may be charged to the job directly.

➤ If overtime is required to cope with general production program or for meeting urgent orders, the overtime premium should be treated as overhead cost of particular department or cost center which works overtime.

➤ Overtime worked on account of abnormal conditions should be charged to costing Profit & Loss Account.

➤ If overtime is worked in a department due to the fault of another department the overtime premium should be charged to the latter department.

(B)

Direct employee cost	Indirect employee cost
1. It is the cost incurred in payment of employees who are directly engaged in the production process.	1. Cost incurred for payment of employee who are not directly engaged in the production process.
2. Direct employee cost can be easily identified and allocated to cost unit.	2. Indirect employee cost is apportioned on some appropriate basis.
3. Direct employee cost varies with the volume of production and has positive relationship with the volume.	3. Indirect employee cost may not vary with the volume of production.

(2 marks)