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TEST SERIES

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SUGGESTED SOLUTION

CA INTERMEDIATE

SUBJECT- COSTING AND ADVANCED ACCOUNTS

Test Code – CIM 8685

BRANCH - () (Date :)

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- NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.
 (2) INTERNAL WORKING NOTES SHOULD ALSO BE CONSIDERED.
 (3) NEW QUESTION SHOULD BE ON NEW PAGE**

ANSWER -1

Calculation of Cost of Production of A Ltd. for the period

Particulars	Amount (Rs.)
Raw materials purchased	64,00,000
Add: Opening stock	2,88,000
Less: Closing stock	(4,46,000)
Material consumed	62,42,000
Wages paid	23,20,000
Prime cost	85,62,000
Repair and maintenance cost of plant & machinery	9,80,500
Insurance premium paid for inventories	26,000
Insurance premium paid for plant & machinery	96,000
Quality control cost	86,000
Research & development cost	92,600
Administrative overheads related with factory and production	9,00,000
	1,07,43,100
Add: Opening value of W-I-P	4,06,000
Less: Closing value of W-I-P	(6,02,100)
	1,05,47,000
Less: Amount realised by selling scrap	(9,200)
Add: Primary packing cost	10,200
Cost of Production	1,05,48,000

Notes:

- (i) Other administrative overhead does not form part of cost of production.
- (ii) Salary paid to Director (Technical) is an administrative cost.

(10 MARKS)

Hence, Refund for share on Rs. 60 paid share (60 - 27.005) Rs.32.995

Refund for share on Rs. 75 paid (75 - 27.005) Rs.47.995

(4 MARKS)

ANSWER -3

Input – Output Relation

1 bag = 1 metre of cotton cloth

Therefore 1000 meter cotton cloth = 1000 units of bags because here opening stock and closing stock of input are zero. Therefore total input purchased = total input consumed

No. of bags manufactured = 1,000 units

Cost sheet for the month of September 2019

	Particulars	Total Cost (Rs.)	Cost per unit (Rs.)
1.	Direct materials consumed:		
	- Leather sheets	3,20,000	320.00
	- Cotton cloths	15,000	15.00
	Add: Freight paid on purchase	8,500	8.50
2.	Direct wages (Rs.80 × 2,000 hours)	1,60,000	160.00
3.	Direct expenses (Rs.10 × 2,000 hours)	20,000	20.00
4.	Prime Cost	5,23,500	523.50
5.	Factory Overheads: Depreciation on machines {(Rs.22,00,000×90%)÷120 months}	16,500	16.50
	Apportion cost of factory rent	98,000	98.00
6.	Works/ Factory Cost	6,38,000	638.00
7.	Less: Realisable value of cuttings (Rs.150×35 kg.)	(5,250)	(5.25)
8.	Cost of Production	6,32,750	632.75
9.	Add: Opening stock of bags	0	
10.	Less: Closing stock of bags (100 bags × Rs.632.75)	(63,275)	

11.	Cost of Goods Sold	5,69,475	632.75
12.	Add: Administrative Overheads:		
	- Staff salary	45,000	45.00
	- Apportioned rent for administrative office	12,000	12.00
13.	Add: Selling and Distribution Overheads		
	- Staff salary	72,000	80.00
	- Apportioned rent for sales office	10,000	11.11
	- Freight paid on delivery of bags	18,000	20.00
14.	Cost of Sales (18+19+20)	7,26,475	800.86

Apportionment of Factory rent:

To factory building $\{(Rs.1,20,000 \div 2400 \text{ sq.foot}) \times 1,960 \text{ sq. feet}\} = Rs.98,000$

To administrative office $\{(Rs.1,20,000 \div 2400 \text{ sq.foot}) \times 240 \text{ sq. feet}\} = Rs.12,000$

To sale office $\{(Rs.1,20,000 \div 2400 \text{ sq.foot}) \times 200 \text{ sq. feet}\} = Rs.10,000$

(10 MARKS)

ANSWER -4

Statement of Liabilities of B list contributors (showing the amount realized)

Creditors Outstanding on the date of ceasing to be member	P 1,500 Shares Rs.	D 2,000 Shares Rs.	B 700 Shares Rs.	S 300 Shares Rs.	Amount to be paid to the creditors Rs.
a) 9,000	3,000	4,000	1,400	600	9,000
b) 3,000	-	2,000	700	300	3,000
c) 1,500	-	-	1,050	450	1,500
d) 1,000	-	-	-	1,000	1,000
Total (a)	3,000	6,000	3,150	2,350	
(b) maximum liability on shares held	7,500	10,000	3,500	1,500	
(c) Amount to be realized (a) or (b)					
Whichever is lower	3,000	6,000	3,150	1,500	

(5 MARKS)

Working Notes :

1. C will not be liable since he transferred his shares prior to one year preceding the date of winding up.
2. P will not be responsible for further debts incurred after 01.01.2017 (from the date when he ceases to be a member). Similarly, D & B will not be liable for the debts incurred after the date of their transfer of shares.
3. The increase between 1st August 2017 and 15th September 2017, is solely the responsibility of S. Liability of S has been restricted to the maximum allowable limit of Rs. 1,500. Therefore, amount payable by S on 15.09.2017 is Rs. 1,500 only.
4. Ratio of discharge of liability will be in the ratio of no. of shares held by B List Contributories which is as follows :

Calculation of Ratio for discharge of Liabilities

Date	Cumulative liability Rs.	Increase in liabilities Rs.	Ratio of no. of shares held by L, M, N, O
01.01.2017	9,000	-	15 : 20 : 7 : 3
01.04.2017	12,000	3,000	20 : 7 : 3
01.08.2017	13,500	1,500	7 : 3
15.09.2017	14,500	1,000	Only S

(5 MARKS)

ANSWER -5

Statement of Affairs of Insol Ltd. (in Liquidation)

as on 30th September, 2016

					Estimated Realisable Value (Rs.)
Assets not specifically pledged (As per list A) :					
Other fixed assets					18,00,000
Current assets					35,00,000
					53,00,000
Assets specifically pledged(As per List B)					
	Estimated realisable value	Due to secured creditors	Deficiency	Surplus	
	Rs.	Rs.	Rs.	Rs.	
Land & Buildings	11,00,000	10,00,000		1,00,000	1,00,000
Estimated total assets available to unsecured creditors					54,00,000
Summary of Gross Assets					
Gross realisable value of assets specifically pledged				11,00,000	

	Other assets	53,00,000
	Gross Assets	64,00,000
Gross liabilities Rs.	Liabilities	
	Secured Creditors (as per list B) to the extent to which claims are estimated to be covered by assets	
10,00,000	Specifically pledged	
1,50,000	Preferential creditors (as per list C)	1,50,000
		52,50,000
	Unsecured creditors(as per list E)	
20,00,000	Unsecured Loans	20,00,000
35,00,000	Trade creditors	35,00,000
1,00,000	Contingent Liability on Bills Discounted	1,00,000
67,50,000	Estimated deficiency as regards creditors (67,50,000 — 64,00,000)	3,50,000
	2,50,000 Equity Shares of Rs. 10 each : (as per list G)	25,00,000
	Estimated deficiency as regards members	28,50,000

(10 MARKS)