SUGGESTED SOLUTION

CA INTERMEDIATE NOV'19

SUBJECT- COSTING

Test Code - CIM 8365

BRANCH - () (Date :)

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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	3,100			
(100 kg. × Rs. 31)					
	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. To Direct Material To Direct Labour To Production OH (Rs. 90,000 × 5/12)	8,200 --- --- ----	2,54,200 42,880 50,000 37,500	By Normal wastage By Abnormal loss By Finished Goods (7,300 kg. × Rs. 52)	820 80 7,300	820 4,160 3,79,600
	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:

A.

(i) Statement of profitability of the Oil Mill (After carrying out further processing) for the quarter ending 31st March 20X8.

Products	Sales Value after further processing	Share of Joint Cost	Additional processing cost	Total Cost after processing	Profit (loss)
ACH	1,72,500	98,667	43,000	1,41,667	30,833
BCH	15,000	19,733	9,000	28,733	(13,733)
CSH	6,000	4,933	--	4,933	1,067
DSH	45,000	24,667	1,500	26,167	18,833
	2,38,500	1,48,000	53,500	2,01,500	37,000

(4 marks)

(ii) Statement of profitability at the split off point

Product	Selling price of split off	Output in units	Sales value at split off point	Share of joint cost	Profit at split off point
ACH	15.00	8,000	1,20,000	98,667	21,333
BCH	6.00	4,000	24,000	19,733	4,267
CSH	3.00	2,000	6,000	4,933	1,067
DSH	7.50	4,000	30,000	24,667	5,333
			1,80,000	1,48,000	32,000

Note : Share of Joint Cost has been arrived at by considering the sales value at split off point.

(4 marks)

(B)

Direct Expenses: Expenses other than direct material cost and direct employee cost, which are incurred to manufacture a product or for provision of service and can be directly traced in an economically feasible manner to a cost object. **(1 mark)**

The following costs are examples for direct expenses:

(a) Royalty paid/ payable for production or provision of service;

(b) Hire charges paid for hiring specific equipment;

(c) Cost for product/ service specific design or drawing;

(d) Cost of product/ service specific software;

(e) Other expenses which are directly related with the production of goods or provision of service. **(1 mark)**

Answer 3:

Before preparing Process III A/e process cost sheet should be prepared.

Process A Period

(FIFO Method)

Statement of Equivalent Production

Opening Stock 1,000 units

Introduced 42,600 pftits

Input		Output		Equivalent Production					
				Material A		Material B		Labour & Overheads	
Item	Units	Item	Units	Units	%	Units	%	Units	%
Op. stock	1,000	Normal loss	2,000	-	-	-	-	-	-
Process II transfer	42,600	Completed :							
		O/stock	1,000	-	-	300	30	500	50
		Introduced &completed	36,800	36,800	100	36,800	100	36,800	100
		Abnormal loss	200	200	100	200	100	160	80
		Closing stock	3,600	3,600	100	2,880	80	2,160	60
	43,600		**43,600**	**40,600**		**40,180**		**39,620**	

Statement of cost for each Element

Elements of cost		Cost Rs.	Equivalent Production Units	Cost per unit Rs.
Material A : Transfer from previous process Less value of normal scrap	Rs.3,30,800 6,000*	3,24,800	40,600	8
Material B : Added in the process		1,60,720	40,100	4
Direct Wages		79,240	39,620	2
Overhead		39,620	39,620	1
Total		**6,04,380**		

*Important Note : It is a convention that the scrap value of normal loss should be deducted from the cost of materials and more specifically where appropriate from the cost of materials input from the previous process.

(5 MARKS)

Statement of Apportionment of Cost

Items	Elements	Equivalent production Units	Cost per unit Rs,	Cost Rs.	Total Rs.
O/Stock (For completion)	Material A	-	-	-	-
	Material B	300	4	1,200	-
	Wages	500	2	1,000	
	Overhead	500	1	500	2,700
Introduced and completed during the period	Material A	36,800	8	2,94,400	
	Material B	36,800	4	1,47,200	
	Wages	36,800	2	73,600	
	Overhead	36,800	1	36,800	5,52,000
Closing stock	Material A	3,600	8	28,800	
	Material B	2,880	4	11,520	
	Wages	2,160	2	4,320	
	Overhead	2,160	1	2,160	46,800
Abnormal loss	Material A	200	8	1,600	
	Material B	200	4	800	
	Wages	160	2	320	
	Overhead	160	1	160	2,880
	Total Cost				6,04,380

Process III Account

Details	Units	Amount	Details	Units	Amount
To Balance b/d	1,000	Rs.14,400	By Normal Loss	2,000	Rs.6,000
To Process II A/c	42,600	3,30,800	By Process IV A/c	37,800	5,69,100
Materials		1,60,720	By Abnormal loss	200	2,880
Wages		79,240	By C/Stock	3,600	46,800
Overhead		39,620			
	43,600	**6,24,780**		**43,600**	**6,24,780**

(5 MARKS)

Note :

(i) Units processed during the period

= units transferred to process + Opening stock

(ii) Production = Opening stock + Units introduced - Closing units
= 1,000 + 42,600 - 3,600 = 40,000

(iii) Normal loss = 5% of 40,000

(iv) Cost of transfer to process (IV)

(a) Value of opening stock	14,400
(b) Cost incurred for completing the units representing O/stock during the period	2,700
(c) Cost for units introduced and completed during the period	5,52,000
	5,69,100

Answer 4:

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

Units produced – 14,000 units
Unit sold – 14,153 units

Particulars	Amount (Rs.)
Raw material purchased	42,25,000
Add : Freight Inward	1,00,000
Add : Opening value of raw material	2,28,000
Less : Closing value of raw materials	(3,05,000)
	42,48,000
Less : Sale of scrap of material	8,000
Material 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	
[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)