



J.K. SHAH[®]
TEST SERIES
Evaluate Learn Succeed

SUGGESTED SOLUTION

INTERMEDIATE MAY 2019 EXAM

SUBJECT- ACCOUNTS AND COSTING

Test Code - CIM 8107

BRANCH - () (Date :)

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

Tel : (022) 26836666

Answer 1:

**Statement showing the apportionment of Joint Costs to the three
Joint Products and their Profitability**

Particulars	Caustic soda (Rs.)	Chlorine(Rs.)	Hydrogen(Rs.)	Total(Rs.)
Realisation from sale	3,75,000	2,50,000	60,000	6,85,000
Less : expected profit (15%, 10% and 5% on realisation)	56,250	25,000	3,000	84,250
Less : Selling exp. (5% on realisation)	18,750	12,500	3,000	34,250
Estimated cost of production	3,00,000	2,12,500	54,000	5,66,500
Less : After separation costs	1,60,000	75,000	10,000	2,45,000
Estimated joint costs	1,40,000	1,37,500	44,000	3,21,500
Percentages	43.5%	42.8%	13.7%	100%
Actual joint cost apportioned in the ratio of estimated joint costs (43.5 : 42.8 : 13.7)	1,52,250	1,49,800	47,950	3,50,000
Add : After separation cost	1,60,000	75,000	10,000	2,45,000
Actual cost of production	3,12,250	2,24,800	57,950	5,95,000
Add : Selling expenses	18,750	12,500	3,000	34,250
Profit realised (balancing figure)	44,000	12,700	(950)	55,750
Realisation from sale	3,75,000	2,50,000	60,000	6,85,000

Answer 2:

Investment in 12% Debentures of Ram Ltd A/c

Date	Particulars	FV	Int.	Cost	Date	Particulars	FV	Int.	Cost
01.12.17	To Bank A/c.	10,00,000	20,000	10,00,100	01.03.18	By Bank A/c	10,00,000	50,000	9,99,400
31.03.18	To P & L - Int.Tfr. (Bal.fig)	-	30,000	-	31.03.18	By P & L A/c. (Loss Tfr)	-	-	700 (Bal.fig.)
	Total	10,00,000	50,000	10,00,100		Total	10,00,000	50,000	10,00,100

Working Notes: 1. Computation of Cost of Purchase on 01.12.2017

Particulars	Rs.
Amount Paid (10,000 x Rs. 101)	10,10,000
Less: Interest (Cum-Interest Purchase only) (for Oct and Nov 2017) (10,00,000 x 12% x 2/12)	(20,000)
Add: Brokerage at 1% of amount paid	10,100
Net Cost of Purchase	10,00,100

2.Computation of Net Sale Value of Investments on 01,03.2018

Particulars	Rs.
Sale Proceeds (10,000 x Rs.106)	10,60,000
Less: Brokerage @ 1%	(10,600)
Net Sale Proceeds	10,49,400
Less: Interest Component (from 1st Oct 2017 to 28 Feb 2018) (10,000 x 100 x 12% x 5/12)	(50,000)
Net Sale Value	9,99,400

Answer 3:

Process A Period—February 1999

(FIFO Method)

Statement of Equivalent Production

Input		Output		Equivalent Production			
Particulars	Units	Particulars	Units	Material		Labour and Overhead	
				Units	%	Units	%
Opening stock	4,000	Units completed :					
Units introduced	16,000	(a) Work on opening stock	4,000	—		3,000	75
		(b) New units completed	10,000	10,000	100	10,000	100
		Closing stock	6,000	6,000	100	2,000	331/3
	20,000		20,000	16,000		15,000	

Statement of Cost for each Element

Elements of Cost	Cost	Equivalent units	Cost per units
Material	Rs. 5,120	16,000	Re. 0.32
Labour	3,000	15,000	0.20
Overhead	3,000	15,000	0.20

Note : Only cost for the period will be considered in this statement.

Statement of Apportionment of Cost

Items	Elements	Equivalent production	Cost per unit Re.	Cost Rs.	Total Rs.
Opening WIP	Material	3,000	0.20	600	—
	Labour				
	Overhead	3,000	0.20	600	
Units newly introduced and completed	Material	10,000	0.32	3,200	1,200*
	Labour	10,000	0.20	2,000	
	Overhead	10,000	0.20	2,000	
Closing inventory	Material	6,000	0.32	1,920	7,200
	Labour	2,000	0.20	400	
	Overhead	2,000	0.20	400	
					2,720

*This is the cost incurred on opening work-in-process during the period.

Dr.		Process A Account		Cr.	
Particulars	Units	Amount Rs.	Particulars	Units	Amount Rs.
To Opening Stock	4,000	1,600	By Finished Stock A/c	14,000	10,000*
To Unit introduced	16,000		By Closing Stock	6,000	2,720
Material		5,120			
Labour		3,000			
Overhead		3,000			
	20,000	12,720		20,000	12,720

* Process A has been credited by an amount of Rs 10,000.

The details for the same are given below:

(i)	Cost already incurred on opening stock	Rs. 1,600
(ii)	Cost of work done for completing the opening stock	1,200
	(Refer to statement of apportionment of cost)	
(iii)	Cost for completing newly introduced units	<u>7,200</u>
	Cost of units completed and transferred to finished stock	<u>10,000</u>

Answer 4:

Statement showing the apportionment of joint costs at the point of separation

Total cost up to point of separation			Rs. 1,36,000
Less : Cost of By-products by working backward	M ₁	M ₂	
Sales realisation	Rs. 32,000	Rs. 48,000	
Less : Net profit			
(20% and 30% of Sales)	6,400	14,400	
Selling expenses (20% of sale)	6,400	9,600	
Cost after separation	<u>9,600</u>	<u>14,400</u>	
	<u>22,400</u>	38,400	
	9,600	9,600	<u>19,200</u>
Cost to be apportioned after split-off point			<u>1,16,800</u>

Comparative Profit and Loss Account

Details	A	M ₁	M ₂	Total
1. Sales Rs.	3,28,000	Rs. 32,000	Rs. 48,000	Rs. 4,08,000
2. Cost of Sales				
Pre-Separation cost	1,16,800	9,600	9,600	1,36,000
Post-Separation cost	—	9,600	14,400	24,000
Cost of production	1,16,800	19,200	24,000	1,60,000
Selling expenses	65,600	6,400	9,600	81,600
Cost of Sales	1,82,400	25,600	33,600	2,41,600
3. Profit (1-2)	1,45,600	6,400	14,400	1,66,400
4. Profit as a % of sales	44.4%	20%	30%	40.8%

Answer 5:

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					
Item	Units	Item	Units	Material A		Material B		Labour & Overheads	
				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	Rs.3,30,800			
Less value of normal scrap	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.

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	5,52,000
	Material B	36,800	4	1,47,200	
	Wages	36,800	2	73,600	
	Overhead	36,800	1	36,800	
Closing stock	Material A	3,600	8	28,800	46,800
	Material B	2,880	4	11,520	
	Wages	2,160	2	4,320	
	Overhead	2,160	1	2,160	
Abnormal loss	Material A	200	8	1,600	2,880
	Material B	200	4	800	
	Wages	160	2	320	
	Overhead	160	1	160	
	Total Cost				

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

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 | <u>5,52,000</u> |
| | <u>5,69,100</u> |

Answer 6:

Investment (Equity Shares in Vayu Ltd.) Account

Date	Particulars	Nos.	Rs.	Date	Particulars	Nos.	Rs.
1st April	To balance b/d at Rs.20	20,000	4,00,000				
10th Jun	To Bank(5,000x15)	5,000	75,000	31st Oct	By balance c/d	37,500	5,87,500
1st Aug	To Bonus (WN 1)	5,000	-				
31st Aug	To Bank(Rights)(WN 4)	7,500	1,12,500				
	Total	37,500	5,87,500		Total	37,500	5,87,500

Working Notes:

Particulars	Computation	Result
1. No. of Bonus Shares	$(5,000 + 20,000) \div 5$	5,000 Shares
2. No. of Rights Shares eligible	$2(20,000 + 5,000 + 5,000) \times \frac{2}{6}$	10,000 Shares
3. No. of Rights Shares Renounced	$10,000 \div 4 = 2,500$ Shares at Rs.3 will be taken to P&L	Rs.7,500
4. No. of Rights Shares subscribed	$10,000 - 2,500 = 7,500$ Shares at Rs.15	Rs.1,12,500