

**Note: All questions are compulsory.**

**Question 1 (6 Marks)**

$$(a) \text{ Labour Turnover by Replacment Method} = \frac{\text{No.of workers replaced during the quarter}}{\text{Average no.workers onroll during the quarter}}$$

$$\text{Or,} \quad 0.03 = \frac{\text{No.of workers replaced during the quarter}}{(990+1,010 \div 2)}$$

Or, No. of worker replaced during the quarter =  $0.03 \times 1,000 = 30$  workers (2 marks)

(i) Labour Turnover by Separation Method (2 marks)

$$= \frac{\text{No.of workers replaced during the quarter}}{\text{Average no.workers onroll during the quarter}} \times 100$$

$$= \frac{\text{Worker at begining+Fresh recruitment+Replacements-workers at closing}}{\text{Average no.workers onroll during the quarter}} \times 100$$

$$= \frac{990+4030-1,010}{(990+1,010) \div 2} \times 100 = \frac{50 \text{ workers}}{1,000 \text{ workers}} \times 100 = 5\%$$

(ii) Labour Turnover by Flux Method (2 marks)

$$\frac{\text{No.of workers(Separated+ replaced+Fresh Recuriment) during the quarter}}{\text{Average no.workers onroll during the quarter}} \times 100$$

$$= \frac{50+30+40}{(990+1,010) \div 2} \times 100 = \frac{120 \text{ workers}}{1,000 \text{ workers}} \times 100 = 12\%$$

**Question 2 (4 marks)**

**Escalation Clause:**

- This clause is usually provided in the contracts as a safeguard against any likely changes in the price or utilization of material and labour. If during the period of execution of a contract, the prices of materials or labour rise beyond a certain limit, the contract price will be increased by an agreed amount. Inclusion of such a term in a contract deed is known as an 'escalation clause'.
- An escalation clause usually relates to change in price of inputs, it may also be extended to increased consumption or utilization of quantities of materials, labour etc (where it is beyond the control of the contractor). In such a situation the contractor has to satisfy the contractee that the increased utilization is not due to his inefficiency.

**Question 3 (8 marks)**

**Cash Budget for the month of October 2016 to December 2016 (Amount in lakhs)**

Particulars	October(Rs.)	November (Rs.)	December(Rs.)
<b>(i) Opening cash balance (1/2 mark)</b>	<b>10.00</b>	<b>14.25</b>	<b>21.25</b>
(ii) Cash Sale <b>(1/2 mark)</b>	4.00 (10% of 40)	4.50 (10% of 45)	4.60 (10% of 46)
<b>(iii) Cash collection for credit sale: (2 marks)</b>			
-For August sale	15.75 (35x90% x50%)	-	-
-For September sale	18.00 (40x90% x 50%)	18.00 (40x 90% x 50%)	-
-For October sale	-	18.00 (40x90% x 50%)	18.00 (40x90% x 50%)
-For November sale	-	-	20.25 (40x90% x 50%)
Total cash collection from credit sales (iii)	33.75	36.00	38.25
<b>Total Cash inflow</b>	<b>47.75</b>	<b>54.75</b>	<b>64.10</b>
<b>(iv) Payment to creditors: (2marks)</b>			
-For September purchase	29.00 {{(80% OF Rs.40)-3}}	-	-
-For October purchase	-	29.00 {{(80% OF Rs.40)-3}}	-
-For November purchase	-	-	33.00 {{(80% OF Rs.45)-3}}
Total of payment made to creditors (iv)	29	29	33
(v) Payment of wages & salaries <b>(1/2 mark)</b>	3.00	3.00	3.00
(vi) Interim dividend <b>(1/2 mark)</b>	-	-	2.00
(vii) Installment for machinery <b>(1/2 mark)</b>	0.50	0.50	0.50
(viii) Administrative expenses <b>(1/2 mark)</b>	1.00	1.00	1.00
<b>Total Cash outflow(B)</b>	<b>33.50</b>	<b>33.50</b>	<b>39.50</b>
<b>Closing cash balance (A-B) (1 mark)</b>	<b>14.25</b>	<b>21.25</b>	<b>24.60</b>

**Question 4 (8 marks)**

**Contract Account**

Particulars	Amount (Rs.)	Amount (Rs.)	Particulars	Amount (Rs.)	Amount (Rs.)
To Materials <b>(1/2 mark)</b>		25,26,000	By material at site <b>(1/2 mark)</b>		50,000
To Direct wages <b>(1 mark)</b>	13,28,000		By Work in progress <b>(1 mark)</b>		
Add: outstanding	2,24,000	15,52,000	- Working n certified	1,00,00,000	
To Site expenses <b>(1/2 mark)</b>		9,60,000	- Working uncertified	12,00,000	1,12,00,000
To Postage and Stationery <b>(1/2 mark)</b>		29,600			
To Rates and taxes <b>(1 mark)</b>	25,600				
Less Advance	(1,400)	24,200			
To Fuel and power <b>(1/2 mark)</b>		8,46,000			

To Depreciation*(1 ½ mark)		9,80,300			
To Notional profit c/d(1mark)		37,05,900			
		1,12,50,000			1,12,50,000

\*Depreciation

- (i) On Machinery = {10% on (Rs.36,00,000 x 0.8)} =Rs.2,88,000  
(ii) On Vehicles =20% on Rs. 32,20,000 =Rs. 6,44,000  
(iii) On Furniture =15% on Rs.3,22,000 =Rs.48,300  
=Rs.9, 80,300

### Question 5 (8 marks)

#### Apportionment of Joint Costs (2 marks)

Particulars	A(Rs.)	B(Rs.)
Selling Price	16,000	8,000
Less: Estimated profit	4,000 (25% of Rs. 16,000)	1,600 (25% of Rs. 8,000)
Cost of sales	12,000	6,400
Less :Selling & Distribution exp . (Refer to working note)	267 (Rs.400 x2/3)	133 (Rs.400 x 1/3)
Less :Subsequent cost	5,000	3,000
<b>Share of Joint cost</b>	<b>6,733</b>	<b>3,267</b>

So, Joint cost of manufacture is to be distributed to A & B in the ratio of 6733: 3267

#### Statement showing Cost of Production of A and B

Elovements of cost	Joint Cost (3 marks)		Subsequent Cost (1 mark)		Total Cost(1 mark)	
	A	B	A	B	A	B
Material	3,367	1,633	3,000	1,500	6,367	3,133
Labour	2,020	980	1,400	1,000	3,420	1,980
Overheads	1,346	654	600	500	1,946	1,154
	<b>Cost of Production</b>				<b>11,733</b>	<b>6,267</b>

#### Working Note:

##### Calculation of Selling and Distribution Expenses(1 mark)

Particulars	(Rs.)
Total Sales Revenue (Rs. 16,000+Rs.8,000)	24,000
Less : Estimated profit(Rs. 4,000+Rs. 1,600)	(5,600)
Cost of sales	18,400
Less :Cost of production:	
-Joint Costs	(10,000)
-Subsequent costs (Rs.5,000+Rs.3,000)	(8,000)
<b>Selling and Distribution expenses (Balancing figure)</b>	<b>400</b>

### Question 6 (8 marks)

#### Process I A/c (2 Marks)

Particulars	Total	Cost	Profit	Particulars	Total	Cost	Profit
To Opening Balance	1,50,000	1,50,000	-	By Transfer to Process II A/c	10,80,000	8,10,000	2,70,000
To Direct Materials	3,00,000	3,00,000	-				
To Direct Wages	2,24,000	2,24,000	-				

	6,74,000	6,74,000	-				
Less: Closing Stock	74,000	74,000	-				
Prime Cost	6,00,000	6,00,000	-				
To Factory Overheads	2,10,000	2,10,000	-				
Total Cost	8,10,000	8,10,000	-				
Profit @ 25% on transfer price	2,70,000	-	2,70,000				
	<b>10,80,000</b>	<b>8,10,000</b>	<b>2,70,000</b>		<b>10,80,000</b>	<b>8,10,000</b>	<b>2,70,000</b>

**Process II A/c (3 Marks)**

Particulars	Total	Cost	Profit	Particulars	Total	Cost	Profit
To Opening Stock	1,80,000	1,50,000	30,000	By Transfer to Finished Stock A/c	22,50,000	15,15,000	7,35,000
To Transfer from Process I A/c	10,80,000	8,10,000	2,70,000				
To Direct Materials	3,15,000	3,15,000	-				
To Direct Wages	2,25,000	2,25,000	-				
	18,00,000	15,00,000	3,00,000				
Less: Closing Stock	90,000	75,000	15,000				
Prime Cost	17,10,000	14,25,000	2,85,000				
To Factory Overheads	90,000	90,000	-				
Total Cost	18,00,000	15,15,000	2,85,000				
Profit @ 20% on transfer price	4,50,000	-	4,50,000				
	<b>22,50,000</b>	<b>15,15,000</b>	<b>7,35,000</b>		<b>22,50,000</b>	<b>15,15,000</b>	<b>7,35,000</b>

WN - Profit element in closing stock =  $3,00,000 / 18,00,000 \times 90,000 = 15,000$

**Finished Stock A/c (3 Marks)**

Particulars	Total	Cost	Profit	Particulars	Total	Cost	Profit
To Opening Stock	4,50,000	2,85,000	1,65,000	By Sales	28,00,000	16,50,000	11,50,000
To Transfer from Process II A/c	22,50,000	15,15,000	7,35,000				
	27,00,000	18,00,000	9,00,000				
Less: Closing Stock	2,25,000	1,50,000	75,000				
Prime Cost							

	24,75,000	16,50,000	8,25,000				
To Factory Overheads	90,000	90,000	-				
Total Cost	25,65,000	17,40,000	8,25,000				
Profit	3,25,000	-	3,25,000				
	<b>28,90,000</b>	<b>17,40,000</b>	<b>11,50,000</b>		<b>28,00,000</b>	<b>16,50,000</b>	<b>11,50,000</b>

WN - Profit element in closing stock =  
 $9,00,000 / 27,00,000 \times 2,25,000 = 75,000$

Profit on Sale

	Amount	Amount
Process I		2,70,000
Process II	4,50,000	
Add: Profit Provision	15,000	4,65,000
Finished Stock	3,25,000	
Add: Profit Provision	90,000	4,15,000
		<b>11,50,000</b>

**Question 7 (8 marks)**  
**(1/2 mark for each entry)**

**Store Ledger Account**  
**For the three months ending 30<sup>th</sup> June, 2014**  
**(Weighted Average Method)**

Date	Receipt				Issues				Balance		Rate for further Issues (Rs.)
	GRN No.PR No.	QTY. (Kg.)	Rates (Rs.)	Amount	MR No.	Qty. (Kg.)	Rates (RS.)	Amount (Rs.)	Qty (kg)	Amount	
2014											
April 1									1,500	7,200	4.80
April 4						1,100	4.80	5,280	400	1,920	4.80
April 10		1,600	5.00	8,000					2,000	9,920	$\frac{9,920}{2,000} = 4.96$
April 20		2,400	4.90	11,760					4,400	21,680	$\frac{21,680}{4,400} = 4.93$
April 24						1,600	4.93	7,888	2,800	13,792	$\frac{13,792}{2,800} = 4.93$
May 5		1,000	5.10	5,100					3,800	18,892	$\frac{18,892}{3,800} = 4.97$
May 10						1,500	4.97	7,455	2,300	11,437	$\frac{11,437}{2,300} = 4.97$
May 17		1,100	5.20	5,720					3,400	17,157	$\frac{17,157}{3,400} = 5.05$
May 25		800	5.25	4,200					4,200	21,357	$\frac{21,357}{2,500} = 5.09$

May 26						1,700	5.09	8,653	2,500	12,704	$\frac{12,704}{32,500}=5.09$
May 31					Shortage	80			2,420	12,704	$\frac{12,704}{2,420}=5.25$
June 11		900	5.40	4,860					3,320	17,564	$\frac{17,564}{3,320}=5.229$
June 15						1,500	5.29	7,935	1,820	9,629	$\frac{9,629}{1,820}=5.29$
June 21						1,200	5.29	6,348	620	3,281	$\frac{3,281}{620}=5.29$
June 24		1,400	5.50	7,700					2,020	10,981	$\frac{10,981}{2,020}=5.44$
June 30					Shortage	60			1,960	10,981	$\frac{10,981}{1,980}=5.60$

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