CA INTERMEDIATE

SUBJECT- COSTING

Test Code – CIM 8709

(Date :)

(Marks - 50)

TOPICS : Cost Sheet, Absorption Costing and Overheads

NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS
(2) NEW QUESTION SHOULD BE ON NEW PAGE

QUESTION NO.1 **(10 MARKS)**

PQR manufacturers – a small scale enterprise, produces a single product and has adopted a policy to recover the production overheads of the factory by adopting a single blanket rate based on machine hours. The annual budgeted production overheads for the year 2017 – 18 are Rs. 44,00,000 and budgeted annual machine hours are 2,20,000.

For a period of first six months of the financial year 2017 – 18, following information were extracted from the books :

Actual production overheads	Rs. 24,88,200
Amount included in the production overheads :	
Paid as per court's order	Rs. 1,28,000
Expenses of previous year booked in current year	Rs. 1,200
Paid to workers for strike period under an award	Rs. 44,000
Obsolete stores written off	Rs. 6,700

Production and sales data of the concern for the first six months are as under :

Production :	
Finished goods	24,000 units
Works – in – progress	
(50% complete in every respect)	18,000 units
Sale :	
Finished goods	21,600 units

The actual machine hours worked during the period were 1,16,000 hours. It is revealed from the analysis of information that ¼ of the under/ over absorption was due to defective production policies and the balance was attributable to increase / decrease in costs.

Required :

(i) DETERMINE the amount of under/ over absorption of production overheads for the six – month period of 2017 – 18.

(ii) EXAMINE the accounting treatment of under/over absorption of production overheads, and

(iii) CALCULATE the apportionment of the under/ over absorbed overheads over the items.

QUESTION NO.2 **(10 MARKS)**

From the details furnished below you are required to **COMPUTE a comprehensive machine – hour rate :**

Original purchase price of the machine (subject to depreciation at 10% per annum on original cost)	Rs. 6,48,000
Normal working hours for the month (The machine works for only 75% of normal capacity)	200 hours
Wages to Machine – man	Rs. 400 per day (of 8 hours)
Wages to Helper (machine attendant)	Rs. 275 per day (of 8 hours)
Power cost for the month for the time worked	Rs. 65,000
Supervision charges apportioned for the machine centre for the month	Rs. 18,000
Electricity & Lighting for the month	Rs. 9,500
Repairs & maintenance (machine) including Consumable stores per month	Rs. 17,500
Insurance of Plant & Building (apportioned) for the year	Rs. 18,250
Other general expense per annum	Rs. 17,500

The workers are paid a fixed Dearness allowance of Rs. 4,575 per month. Production bonus payable to workers in terms of an award is equal to 33.33% of basic wages and dearness allowance. Add 10% of the basic wage and dearness allowance against leave wages and holidays with pay to arrive at a comprehensive labour – wage for debit to production.

QUESTION NO.3 **(10 MARKS)**

PH Ltd., is a manufacturing company having three production departments, 'A', 'B' and 'C' and two service departments 'X' and 'Y'. The following is the budget for December 20X1:

	Total(Rs.)	**A**(Rs.)	**B**(Rs.)	**C**(Rs.)	**X**(Rs.)	**Y**(Rs.)
Direct material		1,00,000	2,00,000	4,00,000	2,00,000	1,00,000
Direct wages		5,00,000	2,00,000	8,00,000	1,00,000	2,00,000
Factory rent	4,00,000					
Power	2,50,000					
Depreciation	1,00,000					
Other overheads	9,00,000					
Additional information :						
Area (Sq. ft.)		500	250	500	250	500
Capital value of assets (Rs.lakhs)		20	40	20	10	10

Machine hours	1,000	2,000	4,000	1,000	1,000
Horse power of machines	50	40	20	15	25

A technical assessment of the apportionment of expenses of service departments is as under:

	A	B	C	X	Y
Service Dept. 'X' (%)	45	15	30	–	10
Service Dept. 'Y' (%)	60	35	–	5	–

Required :

(i) **A statement showing distribution of overheads to various departments.**

(ii) **A statement showing re-distribution of service departments expenses to production departments.**

(iii) **Machine hour rates of the production departments 'A', 'B' and 'C'.**

QUESTION NO.4 **(10 MARKS)**

XYZ a manufacturing firm, has revealed following information for September, 2019 :

	1st September (Rs.)	30th September (Rs.)
Raw Materials	2,42,000	2,92,000
Works – in – progress	2,00,000	5,00,000

The firm incurred following expenses for a targeted production of 1,00,000 units during the month :

	Rs.
Consumable Stores and spares of factory	3,50,000
Research and development cost for process improvements	2,50,000
Quality control cost	2,00,000
Packing cost (secondary) per unit of goods sold	2
Lease rent of production asset	2,00,000
Administrative Expenses (General)	2,24,000
Selling and distribution Expenses	4,13,000
Finished goods (opening)	Nil
Finished goods (closing)	5000 units

Defective output which is 4% of targeted production, realizes Rs. 61 per unit.

Closing Stock is values at cost of production (excluding administrative expenses)

Cost of goods sold, excluding administrative expenses amounts to Rs. 78,26,000.

Direct employees cost is ½ of the cost of material consumed.

Selling price of the output is Rs. 110 per unit.

You are required to :

(i) Calculate the Value of material purchased

(II) Prepare cost sheet showing the profit earned by the firm.

QUESTION NO.5 **(10 MARKS)**

From the following data of A Ltd., CALCULATE (i) Material Consumed; (ii) Prime Cost and (iii) Cost of production.

		Amount (Rs.)
(i)	Repair & maintenance paid for plant & machinery	9,80,500
(ii)	Insurance premium paid for inventories	26,000
(iii)	Insurance premium paid for plant & machinery	96,000
(iv)	Raw materials purchased	64,00,000
(v)	Opening stock of raw materials	2,88,000
(vi)	Closing stock of raw materials	4,46,000
(vii)	Wages paid	23,20,000
(viii)	Value of opening Work-in-process	4,06,000
(ix)	Value of closing Work-in-process	6,02,100
(x)	Quality control cost for the products in manufacturing process	86,000
(xi)	Research & development cost for improvement in production process	92,600
(xii)	Administrative cost for:	
	- Factory & production	9,00,000
	- Others	11,60,000
(xiii)	Amount realised by selling scrap generated during the manufacturing process	9,200
(xiv)	Packing cost necessary to preserve the goods for further processing	10,200
(xv)	Salary paid to Director (Technical)	8,90,000