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**TEST SERIES**  
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**SUGGESTED SOLUTION**

**CA INTERMEDIATE**

**SUBJECT- COSTING**

**Test Code - CIM 8343**

**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

$$\text{Cost per unit} = \frac{\text{Rs.1,40,500} - \text{Rs.1,000}}{10,000 \text{ kg.} - 1,000 \text{ kg.}} = \text{Rs. 15.50}$$

**(3 MARKS)****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 kg. × Rs. 31)	100	3,100			
	9,100	2,55,100		9,100	2,55,100

$$\text{Cost per unit} = \frac{\text{Rs.2,52,000} - \text{Rs.900}}{9,000 \text{ kg.} - 900 \text{ kg.}} = \text{Rs. 31}$$

**(3 MARKS)****Process – R Account**

Particulars	Kg.	Amount	Particulars	Kg.	Amount
To Process – Q A/c.	8,200	2,54,200	By Normal wastage	820	820
To Direct Material	---	42,880	By Abnormal loss	80	4,160
To Direct Labour	---	50,000	By Finished Goods (7,300 kg. × Rs. 52)	7,300	3,79,600
To Production OH					

(Rs. 90,000 × 5/12)	----	37,500		
	<b>8,200</b>	<b>3,84,580</b>		<b>8,200    3,84,580</b>

$$\text{Cost per unit} = \frac{\text{Rs. } 3,84,580 - \text{Rs. } 820}{8,200 \text{ kg.} - 820 \text{ Kg.}} = \text{Rs. } 52$$

(3 MARKS)

<b>Calculation of Selling price per unit of end product :</b>	
Cost per unit	Rs. 52.00
<b>Add : Profit 25% on selling price i.e. 1/3<sup>rd</sup> of cost</b>	Rs. 17.33
Selling price per unit	Rs. 69.33

(1 MARK)

### ANSWER-2

Joint Products	No. of units	S.P. per unit	Sales Value
A	500	Rs. 18	Rs. 9,000
B	900	8	7,200
C	400	4	1,600
D	200	11	2,200
<b>Total Sales value</b>			20,000
<b>Less : Budgeted profit (10%)</b>			2,000
<b>Total Joint Costs</b>			18,000

(a) Maximum price to be paid for R.M.

Total Joint Costs		Rs.18,000
Other costs		
Carriage inwards	1,000	
Direct wages	3,000	
Manufacturing overhead	2,000	
Administration overhead	<u>2,000</u>	<u>8,000</u>
Maximum price to be paid to R.M.		<u>10,000</u>

(5 MARKS)

(b) (i) **Comprehensive Cost Statement (based on number of units)**

	A	B	C	D	Total
Number of units	500	900	400	200	2,000
R.M. @Rs. 5	2,500	4,500	2,000	1,000	10,000
Carriage @ Re. 0.5	250	450	200	100	1,000
Direct wages @ Rs. 1.5	750	1,350	600	300	3,000
Mfg. Ohd. @ Re. 1	500	900	400	200	2,000
Admn. Ohd. @ Re. 1	500	900	400	200	2,000
Total cost	4,500	8,100	3,600	1,800	18,000

(3 MARKS)

(ii) **Comprehensive Cost based on Sales Value (Rs.)**

	A	B	C	D	Total
Sales value	9,000	7,200	1,600	2,200	20,000
Raw material	4,500	3,600	800	1,100	10,000
Carriage	450	360	80	110	1,000
Direct wages	1,350	1,080	240	330	3,000
Mfg. overhead	900	720	160	220	2,000
Admin. overhead	900	720	160	220	2,000
Total cost	8,100	6,480	1,440	1,980	18,000

(2 MARKS)

**ANSWER-3**

Process A . Period : February 20X1

Average Method Output : 10,000 units

**Statement of Equivalent Production**

Input Particulars	Output			Equivalent Production					
	Units	Particulars	Units	Material		Labour		Overhead	
				Units	%	Units	%	Units	%
Opening stock	4,000	Units completed:	14,000	14,000	100	14,000	100	14,000	100
Closing stock		6,000		6,000	100	2,000	33.1/3	2,000	33.1/3
New Units introduced	16,000								
	<b>20,000</b>		<b>20,000</b>	<b>20,000</b>		<b>16,000</b>		<b>16,000</b>	

(2 MARKS)

**Statement of Cost for each Element**

Elements of Cost	Cost of opening WIP Rs.	Cost in Process Rs.	Total Cost Rs.	Equivalent Production Rs.	Cost per unit Re.
Material	1,200	5,120	6,320	20,000	0.316
Labour	200	3,000	3,200	16,000	0.200
Overhead	200	3,000	3,200	16,000	0.200

**(2 MARKS)**

**Statement of Apportionment of Cost**

Items	Element	Equivalent Production	Cost per unit Rs.	Cost Rs.	Total Cost Rs.
Units completed	Material	14,000	0.316	4,424	
	Labour	14,000	0.200	2,800	
	Overhead	14,000	0.200	2,800	10,024
Closing Stock	Material	6,000	0.316	1,896	
	Labour	2,000	0.200	400	
	Overhead	2,000	0.200	400	2,696

**(3 MARKS)**

**Dr.**

**Process A Account**

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Particulars	Units	Amount	Particulars	Units	Amount
To Opening Stock	4,000	Rs.1,600	By units completed and transferred	14,000	Rs.10,024
To New units introduced	16,000		By Closing stock.	6,000	2,696
Material		5,120			
Labour		3,000			
Overhead		3,000			
	<b>20,000</b>	<b>12,720</b>		<b>20,000</b>	<b>12,720</b>

**(3 MARKS)**

**ANSWER-4****(i) Net income when joint costs are apportioned on sales value basis**

Product (1)	Sales Value (2)	Separate costs (3)	S.V. at split-off Point(2)-(3)—(4)	Apportioned Joint cost (5)	Net income (4)-(5)=(6)
A	Rs. 1,15,000	Rs. 30,000	Rs. 85,000	Rs. 68,000*	Rs. 17,000
B	10,000	6,000	4,000	3,200	800
C	4,000	—	4,000	3,200	800
D	30,000	1,000	29,000	23,200	5,800
	1,59,000	37,000	1,22,000	97,600	24,400

\* Rs. 97,600 x 85,000/1,22,000 = Rs. 68,000. Other cost have been calculated similarly.

**(3 MARKS)****(ii) Net income of each product if sold at split-off point**

Product	Output	S.P. per unit	Sales value at split-off point	Allocated J.C.	Net income
A	5,00,000	Re. 0.15	Rs. 75,000	Rs. 65,946#	Rs. 9,054
B	10,000	0.50	5,000	4,397	603
C	5,000	0.80	4,000	3,517	483
D	9,000	3.00	27,000	23,740	3,260
			1,11,000	97,600	13,400

# Rs. 97,600 x 75,000/1,11,000 = Rs. 65,946. Other costs have been calculated similarly.

**(3 MARKS)****(iii) Determination of additional net income by altering the processing decisions**

Product	Sales value after further processing	Sales value at ^ Split-off point	Incremental sales value	Separate costs	Incremental gain/loss
A	Rs. 1,15,000	Rs. 75,000	Rs. 40,000	Rs. 30,000	Rs. 10,000
B	10,000	5,000	5,000	6,000	(1,000)
C	4,000	4,000	—	—	—
D	30,000	27,000	3,000	1,000	2,000
	1,59,000	1,11,000	48,000	37,000	11,000

**Note :** Products A and D should be sold after further processing. However, products B and C should be sold at split-off point.

**(4 MARKS)**