DIP – 10

B.Com. (Semester – V) Examination, October 2014
Major 1 : COST AND MANAGEMENT ACCOUNTING
Process Costing and Integral Accounting

Duration : 2 Hours | Total Marks : 80

Instructions : *1) Question No. **1** is **compulsory**.*
*2) Answer **any three** questions from Question No. **2** to Question No. **6**.*
*3) Figures to the **right** indicate **full** marks.*

1. The following information has been taken from the costing records of Boxer Ltd., for the year ending 31[st] December, 2012 : **20**

Particulars	**Amount (Rs.)**
Stock of raw materials as on 1[st] January, 2012	20,000
Stock of raw materials as on 31[st] December, 2012	45,000
Raw materials purchased during the year 2012	6,80,000
Direct wages	1,44,000
Expenses incurred on purchase of raw materials	5,000
Manufacturing expenses (80% variable and 20% fixed)	1,56,000
Office salary	36,000
Office rent	24,000
Selling expenses	78,000
General expenses	18,000
Sales	12,00,000

During the year ending 31[st] December, 2012 Boxer Ltd., had produced and sold 6,000 units. For the year 2013 the company had estimated the following :

a) The production and sales will increase by 25% over the previous year's level.

b) The price per unit of raw material consumed will increase by 10%.

c) Direct wages during the year will reduce by 10%.

d) The total fixed manufacturing expenses will reduce by 10% and the variable manufacturing expenses per unit will remain the same as in the previous year.

P.T.O.

e) The selling expenses per unit will remain unchanged.

f) Other expenses will remain unaffected by the increase in production.

g) The profit as a percentage on sales will remain the same as in the year 2012.

Prepare a Cost Sheet for the year 2012 and an Estimated Cost Sheet for the year 2013 showing the total cost and profit as well as per unit cost and profit.

2. A certain product passes through three different processes before it is completed and transferred to finished stock. The output of Process I is transferred to Process II at a profit of 20% on transfer price, the output of Process II is transferred to Process III at a profit of 20% on cost price and the output of Process III is transferred to finished stock at a profit of 20% on cost price. The following data is obtained for the month of June 2014 : **20**

Particulars	**Process I**	**Process II**	**Process III**
	Rs.	**Rs.**	**Rs.**
Direct materials	50,000	40,000	30,000
Direct wages	30,000	20,000	15,000
Stock on 30th June, 2014	12,000	10,000	9,000

Finished goods were sold at the end of June 2014 for Rs. 2,50,000. The closing stock of finished goods was Rs. 20,000. Stocks in processes were valued on the basis of prime cost and finished stocks has been valued at the price at which it was received from Process III.

Prepare the following :

a) Process Accounts

b) Finished Stock Account and

c) Compute the cost of closing stock for balance sheet purpose.

3. The product of a company passes through three distinct processes to completion known as Process A, Process B and Process C. From the past experience it is ascertained that normal loss is incurred in each process as follow : Process A – 3%, Process B – 5% and Process C – 8%. In each process the percentage of loss is computed on the number of units entering the process concerned. The normal loss of each process possesses a scrap value which from Process A was sold at Rs. 0.25 per unit, that of Process B at Rs. 0.60 per unit and that of Process C at Rs. 1 per unit. The output of each process passes immediately to the next process and the finished units are passed from Process C into finished stock.

Following additional data is obtained for the month of June 2014. **20**

Particulars	**Process A**	**Process B**	**Process C**
	Rs.	**Rs.**	**Rs.**
Direct materials	14,000	8,000	4,000
Direct wages	16,000	10,000	6,000
Direct expenses	2,000	2,000	3,000
Factory overheads	5,375	3,085	4,108

10,000 units of materials have been introduced into Process A at a cost of Rs. 5 per unit. The output of each process has been as follow : Process A – 9,500 units, Process B – 9,100 units and Process C – 8,100 units. There was no stock of work-in-progress in any process at the beginning as well as at the end of June 2014.

Prepare Process Accounts and Normal Loss, Abnormal Loss and Abnormal Gain Accounts.

4. i) Pass Journal Entries in the cost books for the following transactions : (Non-integrated accounting system). **14**

   a) Direct materials purchased for cash Rs. 75,000

   b) Direct materials purchased on credit for Job No. 15 Rs. 15,000

   c) Carriage inward paid on direct materials purchased Rs. 3,000

   d) Direct materials returned to suppliers Rs. 1,000

   e) Direct materials transferred from Job No. 10 to Job No. 12 Rs. 3,500

   f) Productive wages paid Rs. 1,50,000.

   g) Unproductive wages paid Rs. 12,000.

   ii) What is works cost ? How do you calculate the cost of goods available for sale while preparing a cost sheet ? **6**

5. i) Following transactions are taken from the books of Anil Ltd., for the month of August 2014. Anil Ltd., maintains integrated accounting system. Give journal entries in the books of Anil Ltd. : **14**

1st August, 2014	Materials purchased on credit for Rs. 2,35,600
5th August, 2014	Materials purchased for repairs on cash Rs. 3,550
7th August, 2014	Direct materials issued to production Rs. 1,85,500

25th August, 2014 Cash paid to creditors Rs. 2,05,000

27th August, 2014 Cash received from customers Rs. 3,00,000

31st August, 2014 Salaries paid to office staff Rs. 50,000

31st August, 2014 Office expenses not yet paid Rs. 3,000.

ii) On 1st June 2014, 2000 units were introduced into Process I. The normal loss was estimated at 5% of the units introduced. At the end of the month 1400 units had been completed and transferred to the next process and 500 units were uncompleted. It was estimated that the uncompleted units had reached a stage of production as follows : 6

Direct materials 75% completed, Direct wages 60% completed and production overheads 50% completed. The other details were as follows :

The cost of 2000 units introduced into Process I was Rs. 5,800. Direct materials purchased during the process amounted to Rs. 3,175. Direct wages paid amounted to Rs. 5,100. Production overheads incurred were Rs. 3,300. The normal loss realized Rs. 1 per unit for materials only.

Prepare a Statement of Equivalent Production and a Statement of Cost.

6. i) What are Control Accounts ? State any seven advantages of maintaining a Cost Ledger. 10

ii) Explain any five features of Integral Accounting System. 10
