B.Com. (Semester V) Examination, October 2013
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 on the ***right*** *indicate* ***full*** *marks.*

1. Happy Manufacturers Ltd. supply you the following information for 10,000 calculators manufactured during the year 2012. 20

Particulars	**Amount (Rs.)**
Direct Materials	90,000
Direct Wages	60,000
Power and consumable stores	12,000
Factory indirect wages	15,000
Lighting of factory	5,500
Defective work (cost of rectification)	3,000
Clerical salaries and management expenses	33,500
Selling expenses	5,500
Sale proceeds of scrap	2,000
Plant repairs, maintenance and depreciation	11,500

The net selling price was Rs. 31.60 per calculator and all the calculators were sold during the year 2012.

As from 1st January, 2013 the selling price was reduced to Rs. 31 per calculator. It was estimated that production could be increased in 2013 by 50% due to spare capacity. Rates of direct materials and direct wages each will increase by 10% in the year 2013.

P.T.O.

You are required to prepare the following :

a) Cost sheet for the year 2012 showing various elements of cost per calculator and in total; and

b) An estimated cost sheet for the year 2013 assuming that 15,000 calculators will be produced and sold during the year and factory overheads will be recovered as a percentage of direct wages and office and selling expenses as a percentage of works cost (Show your workings).

2. The product of a company passes through three distinct processes for completion and they are known as Process A, B and C. From the past experience it is ascertained that normal loss in each process is as follow : Process A = 2%, Process B = 5% and Process C = 10%. In each case the percentage of loss is computed on the number of units entering the process concerned. **20**

The loss of each process has a scrap value which from Process A realizes Rs. 5 per 100 units, process B Rs. 8 per 100 units and that from process C Rs. 20 per 100 units. The output of each process is passed on immediately to the next process and the finished units are passed on from process C into stock. The expenses incurred in each process are as follows :

Particulars	**Process A**	**Process B**	**Process C**
	Rs.	**Rs.**	**Rs.**
Materials consumed	6,000	4,000	2,000
Direct labour	8,000	6,000	5,000
Manufacturing overheads	1,220	6,653	4,656

20,000 units have been issued to process A at a cost of Rs. 24,000. The output of each process has been as under : Process A = 19,500 units, Process B = 18,800 units and Process C = 16,000 units. There was no work-in-progress in any process.

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

3. A product of a company passes through three different processes before it is completed and transferred to finished stock. The following information is obtained for the month of June 2013. **20**

Particulars	Process I	Process II	Process III	Finished Stock
	Rs.	Rs.	Rs.	Rs.
Opening stock	5,000	8,000	10,000	20,000
Direct materials	40,000	12,000	15,000	–
Direct wages	35,000	40,000	35,000	–
Production Overheads	20,000	24,000	20,000	–
Closing stock	10,000	4,000	15,000	30,000
Profit percentage on Transfer Price (to next process)	25%	20%	10%	–
Inter-process profit For opening stock	–	1,395	2,690	6,534

Stocks in processes are valued at prime cost and finished stock has been valued at the price at which it is received from process III. Sales during the month of June 2013 were Rs. 3,75,000.

Prepare the three process accounts and finished stock account showing the profit element at each stage.

4. i) Pass journal entries in the cost books. **14**
   (non-integral accounting system) for the following transactions :
   a) Materials purchased on cash Rs. 12,000
   b) Materials purchased on credit for a special job Rs. 6,500
   c) Materials returned to supplier Rs. 2,500
   d) Indirect materials issued Rs. 1,000
   e) Wages paid to direct labour Rs. 6,000
   f) Wages paid for indirect factory labour Rs. 2,500
   g) Cost of completed work Rs. 28,350

   ii) What is a cost sheet ? How are the materials consumed calculated while preparing a cost sheet ? **6**

5. i) Journalise the following transactions assuming that the cost and financial accounts are integrated. **14**

a) Raw materials purchased for cash Rs. 2,35,600

b) Indirect wages paid Rs. 35,000

c) Raw materials purchased on credit Rs. 2,00,000

d) Manufacturing expenses incurred Rs. 50,000

e) Manufacturing overheads charged to production Rs. 20,000

f) Receipts from customers Rs. 1,25,000

g) Paid to creditors Rs. 1,00,000.

ii) From the following details prepare a statement of equivalent Production and a statement of cost **6**

Input 7,200 units, output 6,400 units and closing work-in-progress 800 units

Particulars	Degree of completion of closing work-in-progress
Materials	80%
Labour	75%
Overheads	40%

The process costs during the period are : Materials Rs. 19,360; labour Rs. 22,750 and overheads Rs. 13,440.

6. i) What are control accounts ? Explain Cost Ledger, Stores Ledger, Work-in-Progress Ledger and Finished Goods Ledger. **10**

ii) Enumerate the advantages of integral accounting system. **10**