Process Costing

Time Allowed : 1 hour	TEST-2	Total Marks: 33 Marks

Q.1 RST Limited processes Product Z through two distinct processes – Process – I and Process – II. On completion, it is transferred to finished stock. From the following information for the year 2019-20, Prepare Process – I, Process – II and Finished Stock A/c:

Particulars	Process – I	Process – II
Raw materials used	7,500 units	--
Raw materials cost per unit	₹ 60	--
Transfer to next process/finished stock	7,050 units	6,525 units
Normal loss (on inputs)	5%	10%
Direct Wages	₹ 1,35,750	₹ 1,29,250
Direct Expenses	60% of Direct Wages	65% of Direct Wages
Manufacturing Overheads	20% of Direct Wages	15% of Direct Wages
Realizable Value of scrap per unit	₹ 12.50	₹ 37.50

6,000 units of finished goods were sold at a profit of 15% on cost. Assume that there was no opening or closing stock of work-in-progress. Prepare Process Accounts Finished Goods Stock Account and Costing Profit & Loss Account. **(10 Marks)**

Q.2 ABX Company Ltd. provides the following information relating Process – B:

(i) Opening Work-In-Progress - Nil

(ii) Units Introduced - 45,000 units @ ₹ 10 per unit

(iii) Expenses debited to the process:

Additional material	₹ 65,500
Labour	₹ 90,800
Overheads	₹ 1,80,700

(iv) Normal loss in the process - 2% of Input

(v) Work-In-Progress (at the end) - 1,800 units

Degree of completing

Materials	- 100%
Labour	- 50%
Overheads	- 40%

(vi) Finished output - 42,000 units

(vii) Degree of completion of abnormal loss:

Materials	- 100%
Labour	- 80%
Overhead	- 60%

(viii) Units scrapped as normal loss were sold at ₹ 5 per unit.

(ix) All the units of abnormal loss were sold at ₹ 2 per unit.

You are required to prepare:

(a) Statement of equivalent production.

(b) Statement showing the cost of finished goods, abnormal loss and closing balance of work-in-progress.

(c) Process-B account and abnormal loss account. **(10 Marks)**

Q.3 A Ltd. produces 'M' as a main product and gets two by products – 'P' and 'Q' in the course of processing.

Following information are available for the month of October, 2017:

	M	P	Q
Cost after separation	-	₹ 60,000	₹ 30,000
No. of units produced	4,500	2,500	1,500
Selling price (per unit)	₹ 170	₹ 80	₹ 50
Estimated Net Profit to Sales	-	30%	25%

The joint cost of manufacture upto separation point amounts to ₹ 2,50,000. Selling expenses amounting to ₹ 85,000 are to be apportioned to the three products in the ratio of quantity.

There is no opening and closing stock. Prepare the statement showing:

(i) Allocation of joint cost.

(ii) Product wise over all profitability and

(iii) Advice the company regarding results if the by product 'P' is not further processed and is sold at the point of separation at ₹ 60 per unit without incurring selling expenses.

(10 Marks)

Q.4 Input Quantity = 5,000 Units **(1 Marks)**

Normal Loss = 10% of Input Quantity

Actual Loss = 350 Units.

Scrap Value = 3 per unit

Cost per unit of normal output = ₹ 15. In the above case, the amount of net gain transferred to Costing P&L Account shall be:-

(a) ₹ 2,250 (b) ₹ 1,800 (c) ₹ 2,700 (d) None of the above.

Q.5 % of scrap is 100% for Materials and 50% for labour and overheads. In such a case, while preparing the statement of equivalent production, the % of completion for abnormal gain shall be:- **(1 Marks)**

(a) 0% for Material, Labour & Overheads

(b) 100% for Materials and 50% for labour and overheads

(c) 100% for Materials, Labour and Overheads

(d) None of the above.

Q.6 Under net realizable value method of apportioning joint costs to joint products, the selling & distribution cost is:- **(1 Marks)**

(a) Added to joint cost (b) Deducted from further processing cost

(c) Deducted from sales value (d) Ignored