

Time : 2 Hours

Marks : 60

- Note: 1) All questions are compulsory subject to internal option.  
2) Figures to the right indicate full marks.  
3) All workings shall form part of your answer.

Q-1) The following data pertains to Process I for March 2019 of Beta Limited : (15)

Opening Work in Progress 1,500 units at Rs. 15,000

Degree of completion

Materials 100% : Labour and Overheads  $33\frac{1}{3}\%$

Input of Materials 18,500 Units at Rs. 52,000

Direct Labour Rs. 14,000

Overheads Rs. 28,000

Closing Work in Progress 5,000 units

Degree of Completion Materials 90% and Labour and Overheads 30%

Normal Process Loss is 10% of total Input (opening work in progress units + units put in)

Scrap value Rs. 2.00 per unit

Units transferred to the next process 15,000 units.

You are required to :-

- Compute equivalent units of production.
- Compute cost per equivalent unit for each cost element i.e., materials, labour and overheads.
- Compute the cost of finished output and closing work in progress.
- Prepare the process and other Accounts.

Assume: (i) FIFO Method is used by the Company.

- The cost of opening work in progress is fully transferred to the next process.

OR

Q-1) The following data are available in respect of Process I for February 2019 : (15)

(1) Opening stock of work in process : 800 units at a total cost of Rs. 4,000.

(2) Degree of completion of opening work in process:

Material 100%

Labour 60%

Overheads 60%

(3) Input of materials at a total cost of Rs. 36,800 for 9,200 units.

(4) Direct wages incurred Rs. 16,740

(5) Production overhead Rs. 8,370.

(6) Units scrapped 1,200 units. The stage of completion of these units was:

Materials 100%

Labour 80%

Overheads 80%

(7) Closing work in process; 900 units. The stage of completion of these units was:

Material	100%
Labour	70%
Overheads	70%

(8) 7,900 units were completed and transferred to the next process.

(9) Normal loss is 8% of the total input (opening stock plus units put in)

(10) Scrap value is Rs. 4 per unit.

You are required to :

(a) Compute equivalent production.

(b) Calculate the cost per equivalent unit for each element.

(c) Calculate the cost of abnormal loss (or gain), closing work in process and the units transferred to the next process using the FIFO method.

(d) Show the Process Account for February 2019

Q-2) The Gadget Co produces three products, A, B and C, all made from the same material. Information for the three products for the last year is as follows. (15)

	A	B	C
Production and sales Volume (Units)	15000	12000	18000
Selling Price Per Unit	7.5	12	13
Raw Material (Kg) per Unit	2	3	4
Direct Labour hours per Unit	0.1	0.15	0.2
Machine Hour Per Unit	0.5	0.7	0.9
No of Production Run p.a	16	12	8
No of Purchase Orders p.a	24	28	42
No of Deliveries to Retailers p.a	48	30	62

The price for raw material remained constant throughout the year at Rs.1.20 per Kg. Direct labour cost was Rs.14.80 per hour. The annual overhead costs were as follows.

Machine set up Cost	Rs.26,550
Machine Running Cost	Rs.66,400
Procurement Costs	Rs.48,000
Delivery Cost	Rs.54,320

Calculate the full cost per unit of each product using activity based costing.

OR

Q-2) Polimore Ltd has three production departments A,B,C and two service departments X and Y. The following details are extracted from the books of accounts in respect of expenses incurred during December 2019. (15)

Particulars	Amount
Indirect Wages	45,000
Lighting	6,000
Rent	60,000
Electric Power	30,000
Depreciation	120,000
Sundry Expenses	39,000

Following further details are collected for distribution of the above cost:

Particulars	Department				
	A	B	C	X	Y
Value of Machinery	6000	5000	8000	1000	0
Horse Power of Machine	40	45	60	5	0
Light Points (No s)	10	15	20	10	5
Floor Space (Sq. Mtrs)	150	200	250	100	50
Direct Wages	15000	10000	20000	2000	3000

- 1) Prepare Overhead distribution summary(Primary Distribution).
- 2) Prepare a statement of secondary distribution on the basis of following details under repeated distribution method.

Particulars	Department				
	A	B	C	X	Y
Expenses of Department X	20%	25%	35%		20%
Expenses of Department Y	25%	25%	40%	10%	0

Q-3) Company has two Division. Division 'A' and Division 'B'. Division 'A' has a budget of selling 2,00,000 nos. of a particular component 'x' to fetch a return of 20% on the average assets employed. The following particulars of Division 'A' are also known: (15)

Fixed Overhead	Rs.5 lakhs
Variable Cost	Re.1 per unit
<b>Average Assets</b>	
Sundry Debtors	Rs.2 lakhs
Inventories	Rs.5 lakhs
Plant & Equipments	Rs.5 lakhs

However, there is constraint in Marketing and only 1,50,000 units of the component 'x' be directly sold to the proposed price.

It has been gathered that the balance 50,000 units of component 'x' can be taken up by Division 'B' Division 'A' wants a price of Rs.4 per unit of 'x' but Division 'B' is prepared to pay Rs.2 per unit of 'x'.

Division 'A' has another option in hand. which is to produce only 1,50,000 units of component 'x'. This will reduce the holding of assets by Rs.2 lakhs and fixed overhead by Rs.25,000.

You are required to advise the most profitable course of action for Division 'A'.

OR

Q-3) A business has two divisions with the following result applicable: (15)

Particular	Division A	Division B
Profit Before Depreciation	800	1000
Non Current Assets B/F	2000	3000
Net Current Assets at year end	500	750

The noncurrent assets are depreciated on 20% straight line depreciation.  
The company assesses the performance of its divisions on the basis of the Return on Investment.  
Calculate the ROI for each division for this year and the next if the profit before Depreciation and net current assets are the same for each period.

Q-4(A) State whether following statements are True or False? (8)

- 1) Expected Units are the difference between unit introduced and normal loss.
- 2) Weight loss has no scrap value.
- 3) ABC is an accounting methodology that assigns cost to activities rather than product and services.
- 4) responsibility centres are, usually, classified as Cost Centre , Profit Centre and Investment Centre
- 5) The basic idea of responsibility accounting is that a manager should be held responsible only for those items over which he can exercise a significant degree of control.
- 6) ROI will decrease, if same amount of profit earned with additional investment.
- 7) (Transfer Price × quantity of goods exchanged) is an expense for the purchasing centre and a revenue for the selling centre.
- 8) Weighted Average method is never used for calculating equivalent production.

Q-4(B) Fill in the blanks

(7)

- 1) Sale of scrap \_\_\_\_\_ cost per unit. (Increase, Decrease, Not affects)
- 2) \_\_\_\_\_ costing is applicable when Output of one process becomes raw material of another process. (Activity Base Costing, Process Costing, Job Costing)
- 3) Stock of \_\_\_\_\_ is expressed in terms of equivalent units. (semi-finished Goods, Finished Goods, Raw Material)
- 4) Secondary distribution refers to distribution of cost of \_\_\_\_\_ departments among production department.(Service Department, Production Department, Purchase Department)
- 5) \_\_\_\_\_accounting distinguishes between controllable and uncontrollable costs. (Responsibility, Traditional, Modern)
- 6) \_\_\_\_\_ costs are those costs which can be influenced by a specified person or a particular level of management of a company. (Controllable, Non Controllable, Abnormal)
- 7) Insurance of goods is apportionment on the base of \_\_\_\_\_ (Opening Stock, Closing Stock, Average Stock)

OR

Q-4 Write short notes on following (Any Three)

(15)

- 1) Abnormal Gain
- 2) Transfer Pricing
- 3) Responsibility Accounting
- 4) Advantages of ABC
- 5) Allocation of overheads

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