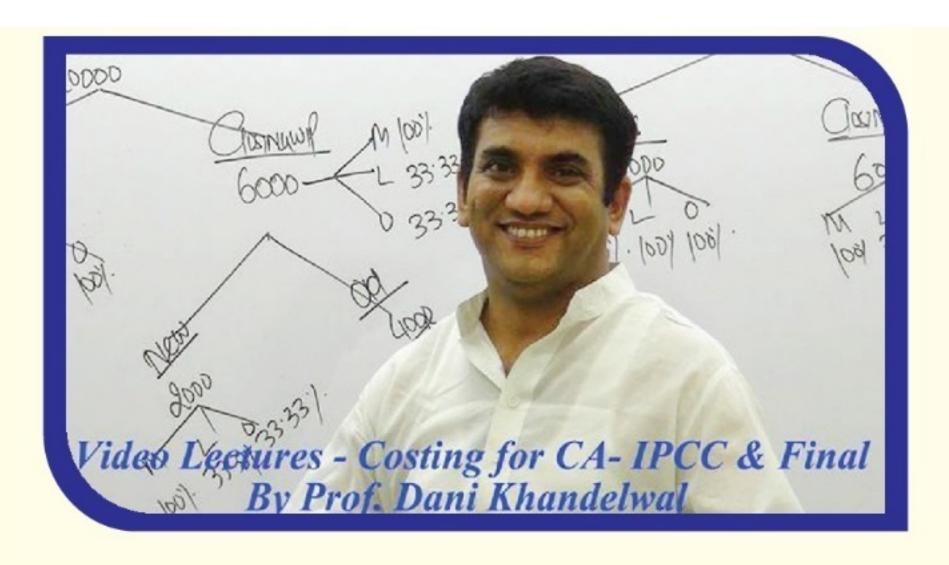


CAINTER

Paper-3: Cost and Management Accounting

RTP IN DKC FORMAT



723, ECSTASY, CITY OF JOY, JSD ROAD,
NEAR STATION, MULUND (W), MUMBAI 400080
MOBILE: 9920443322 | Email id: educare@coppergate.in
Website:-www.coppergateeducare.in

PAPER – 3: COST AND MANAGEMENT ACCOUNTING:

Material Cost

1. HBL Limited produces product 'M' which has a quarterly demand of 20,000 units. Each product requires 3 kg. and 4 kg. of material X and Y respectively. Material X is supplied by a local supplier and can be procured at factory stores at any time, hence, no need to keep inventory for material X. The material Y is not locally available, it requires to be purchased from other states in a specially designed truck container with a capacity of 10 tons.

The cost and other information related with the materials are as follows:

TOTAL CONTROL OF THE PARTY OF T		
Particulars	Material-X	Materials 7
Purchase price per kg. (excluding GST)	₹140	₹640
Rate of GST	18%	18%
Freight per trip (fixed, irrespective of quantity)	- .	₹28,000
Loss of materials in transit*	-	2%
Loss in process*	4%	5%

*On purchased quantity

Other information:

- The company has to pay 15% p.a. to bank for cash credit facility.
- Input credit is available on GST paid on materials.

Required:

- (i) CALCULATE cost per kg. of material X and Y
- (ii) CALCULATE the Economic Order quantity for both the materials.

Arish	VOI) STATEMENT	SHOWING COST PELLED
INPUT	MATERIAL =	(TOTAL COST) -> MOGNO-1
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6.1		
(4)		
trodu	10N (20000 WITHX	4 QTK) = 80000
	STATEMENT SOO	WINLY TOTAL QTY
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Note - Input credit on GST paid is available; hence, it will not be included in cost of material.

(i) Calculation of cost per kg. of material X and Y:

Particulars	Mat-X	MateY
Purchase quantity	2,50,000 kg.	3,44,085 kg.
Rate per kg.	₹140	₹640
Purchase price	₹3,50,00,000	₹22,02,14,400
Add: Freight	0	₹9,80,000*
Total cost	₹3,50,00,000	₹22,11,94,400
Net Quantity	2,40,000 kg.	3,20,000 kg
Cost per kg.	₹145.83	₹691.23

*No. of trucks = $\frac{3,44,085 \text{kg.}}{10 \text{ ton} \times 1,000}$ = 34.40 trucks or 35 trucks

Therefore, total freight = 35 trucks × ₹28,000 = ₹9,80,000

(ii) Calculation of Economic Order Quantity (EOQ) for Mat.-X and Y:

 $EOQ = \sqrt{\frac{2 \times Annual \ Re \ quirement \times Order \ cost}{Carrying \ cost \ per \ unit \ p.a.}}$

Particulars	Mat-X	Mat-Y
Annual Requirement	2,50,000 kg.	3,44,085 kg.
Ordering cost	0	₹28,000
Cost per unit	₹145.83	₹691.23
Carrying cost	15%	15%
Carrying cost per unit p.a.	0*	₹103.68
EOQ	0	13,632.62 kg.

Employee (Labour) Cost

2. ADV PvL Ltd. manufactures a product which requires skill and precision in work to get quality products. The company has been experiencing high labour cost due to slow speed of work. The management of the company wants to reduce the labour cost but without compromising with the quality of work. It wants to introduce a bonus scheme but is indifferent between the Halsey and Rowan scheme of bonus.

For the month of November 2019, the company budgeted for 24,960 hours of work. The workers are paid ₹80 per hour.

Required:

- (i) CALCULATE and suggest the bonus scheme where the time taken (in %) to time allowed to complete the works is (a) 100% (b) 75% (c) 50% & (d) 25% of budgeted hours.
- 2. The Cost of labour under the bonus schemes are tabulated as below:

		tise (I)	Bonil	s (t)	Total Wages (?)		Earning per hour	
			Halboy*	Robert*	Halacy	Rowan	Halsey	Rowan
(1)	6)	(a) = (a) = 7 (b)	(0	(0)	(B) =(3) +(4)	(7) = (3) ± (5)	(8) = (6)(2)	(9) = (7)/(2)
24,960	24,960	19,96,800	restrates.	_	19,96,800	19,96,800	80.00	80.00
24,960	18,720	14,97,600	2,49,600	3,74,400	17,47,200	18,72,000	93.33	100.00
24,960	12,480	9,98,400	4,99,200	4,99,200	14,97,600	14,97,600	120.00	120.00
24,960	6,240	4,99,200	7,48,800	3,74,400	12,48,000	8,73,600	200.00	140.00

^{*} Bonus under Halsey Plan = 50% of (Time Allowed - Time Taken) x Rate per hour

Rowan scheme of bonus keeps checks on speed of work as the rate of incentive increases only upto 50% of time taken to time allowed but the rate decreases as the time taken to time allowed comes below 50%. It provides incentives for efficient workers for saving in time but also puts check on careless speed. On implementation of Rowan scheme, the management of ADV Pvt. Ltd. would resolve issue of the slow speed work while maintaining the skill and precision required maintaining the quality of product.

Overheads-Absorption Costing Method

3. PLR Ltd. manufacturers a single product and recovers the overheads by adopting a single blanket rate based on machine hours. The budgeted production overheads of the factory for the FY 2019-20 are ₹50,40,000 and budgeted machine hours are 6,000.

For a period of first six months of the financial year 2019–20, following information were extracted from the books:

Actual production overheads

₹34,08,000

Amount included in the production overheads:

Paid as per court's order

₹4.50.000

Expenses of previous year booked in current year

₹1,00,000

Paid to workers for strike period under an award

₹4,20,000

Obsolete stores written off

₹36,000

Production and sales data of the concern for the first six months are as under:

Production:

Finished goods

1,10,000 units

Works-in-progress

(50% complete in every respect)

80,000 units

Sale:

Finished goods

90,000 units

The actual machine hours worked during the period were 3,000 hours. It is revealed from the analysis of information that 40% of the over/under-absorption was due to defective production policies and the balance was attributable to increase in costs.

You are required:

- to determine the amount of over/ under absorption of production overheads for the period,
- (ii) to show the accounting treatment of over/ under-absorption of production overheads, and
- (iii) to apportion the over/ under-absorbed overheads over the items.

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4. SMP Pvt. Ltd. manufactures three products using three different machines. At present the overheads are charged to products using labour hours. The following statement for the month of September 2019, using the absorption costing method has been prepared:

Particulars	Product X (using machine A)	Product Y (using machine B)	ProductZ (using machine C
rioduction units	45,000	52,500	30,000
Material cost per unit (₹)	350	460	410
Wages per unit@ ₹80 per hour	240	400	560
Overhead cost per unit (₹)	240	400	560
Total cost per unit (₹)	830	1,260	1,530
Selling price (₹)	1,037.50	1,575	1,912.50

The following additional information is available relating to overhead cost drivers.

	VIII CONTRACTOR CONTRACTOR				
Costdriver	ProductX	ProductY	Product Z	Total	Morental
No. of machine set-ups	40	160	400	600	distribution
No. of purchase orders	400	800			
No. of customers	1,000		1,200	2,400	
	1,000	2,200	4,800	8,000	Ohmon

Actual production and budgeted production for the month is same. Workers are paid at standard rate. Out of total overhead costs, 30% related to machine set-ups, 30% related to customer order processing and customer complaint management, while the balance proportion related to material ordering.

Required:

- (i) COMPUTE overhead cost per unit using activity based costing method.
- (ii) DETERMINE the selling price of each product based on activity-based costing with the same profit mark-up on cost.

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E) abrompl	NOOF-CUSOMAY	1 0000 A
OLOPE	(400+800+1200)	2400
	= 2400 =	6075
*		
(52)	PHICHAGON	DEM
(3) MATIPRIAR	(1000+ 2200+4900)	8000
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SETUP X		0-5250= 74.06
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STATEMENT	SHOWING COX DUNCK ROLL
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622000	PHICHARE ONDER
(3) MATIPLIA	(1000+ 2200+4900) (8000)
Capaio	= 8000 = 2430
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SCIPNOW STATI	PU / P.P
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	CUSPO Rate - PWOUN = P-4/4
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(I) MACHINE X	40 × 24300-4500= 21.60 160 × 24300-5250= 74.06
SETUP X	160 × 24300 ÷ 52500= 74.06 400 × 24300 ÷ 30000= 324.00
	7 27000,300000 32700
(2) CUTOMPL	MOOFCUSTOMER
ORDER (X)	400 X 6075 - 000-54
(4)	800 × 6075 - 20052002 92.57
(7)	1200 × 6075 - 62 30000 = 243
(3) MATERIAL	NO OF PONDERY. 1000 4000 × 2430 ÷ 45000 ; 60800 54
Qurang X	2200 \$20 × 2930 ÷ 52500 = 3000 101-83
	400 S × 2430 + 30000 - 67000

- DFG Ltd. manufactures leather bags for office and school purpose. The following information is related with the production of leather bags for the month of September 2019.
 - (i) Leather sheets and cotton cloths are the main inputs, and the estimated requirement per bag is two meters of leather sheets and one meter of cotton cloth. 2,000 meter of leather sheets and 1,000 meter of cotton cloths are purchased at ₹3,20,000 and ₹15,000 respectively. Freight paid on purchases is ₹8,500.
 - (ii) Stitching and finishing need 2,000 man hours at ₹80 per hour.
 - (iii) Other direct cost of ₹10 per labour hour is incurred.
- (iv) DFG has 4 machines at a total cost of ₹22,00,000. Machine has a life of 10 years with a scrape value of 10% of the original cost. Depreciation is charged on straight line method.
- (v) The monthly cost of administrative and sales office staffs are ₹45,000 and ₹72,000 respectively. DFG pays ₹1,20,000 per month as rent for a 2400 sq.feet factory premises. The administrative and sales office occupies 240 sq. feet and 200 sq. feet respectively of factory space.
- (vi) Freight paid on delivery of finished bags is ₹18,000.
- (vii) During the month 35 kg. of leather and cotton cuttings are sold at ₹150 per kg.
- (viii) There is no opening and closing stocks for input materials. There is 100 bags in stock at the end of the month.

Required:

PREPARE a cost sheet following functional classification for the month of September 2019.

No. of bags manufactured = 1,000 units

Cost sheet for the month of September 2019

	Particulars	Total Cost (?)	Cost per unit(₹)
1.	Direct materials consumed:	SACINATI MERCHENING MENUNGAN NEI NERBERG ESS ESSONO EN PANAN	ny injerioranji palamiyana kilondirakki dirikilondi kashiri
	- Leather sheets	3,20,000	320.00
	- Cotton cloths	15,000	15.00
	Add: Freight paid on purchase	8,500	8.50
2.	Directwages (₹80 × 2,000 hours)	1,60,000	160.00
3.	Direct expenses (₹10 × 2,000 hours)	20,000	20.00
4.	Prime Cost	5,23,500	523.50
5.	Factory Overheads: Depreciation on machines {(₹22,00,000×90%)÷120 months}	16,500	16.50
	Apportion cost of factory rent	98,000	98.00
6.	Works/ Factory Cost	6,38,000	638.00
7.	Less: Realisable value of cuttings (₹150×35 kg.)	(5,250)	(5.25)
8.	Cost of Production	6,32,750	632.75
9.	Add: Opening stock of bags	0	
10.	Less: Closing stock of bags (100 bags × ₹632.75)	(63,275)	nga nganggapa anganaya, wasanada atauninin nan
11.	Cost of Goods Sold	5,69,475	632.75
12.	Add: Administrative Overheads:	And the top suppressed that an electronic pair following the contraction that the contraction that the	
	- Staff salary	45,000	45.00
	- Apportioned rent for administrative office	12,000	12.00
13.	Add: Selling and Distribution Overheads		
	- Staff salary	72,000	80.00
	- Apportioned rent for sales office	10,000	11.11
	- Freightpaid on delivery of bags	18,000	20.00
14.	Cost of Sales (18+19+20)	7,26,475	800.86

Apportionment of Factory rent:

To factory building {(₹1,20,000 ÷ 2400 sq.feet) × 1,960 sq. feet} = ₹98,000

To administrative office {(₹1,20,000 ÷ 2400 sq.feet) × 240 sq. feet} = ₹12,000

To sale office {(₹1,20,000 + 2400 sq.feet) × 200 sq. feet} = ₹10,000

Cost Accounting Systems

As of 30th September, 2019, the following balances existed in a firm's cost ledger, which is maintained separately on a double entry basis:

	Debit(₹)	Gredit(₹)
Stores Ledger Control Ac	15,00,000	
Work-in-progress Control A/c	7,50,000	
Finished Goods Control Ac	12,50,000	
Manufacturing Overhead Control Ac	andreas and collection of the second of the collection of the second of the second of the second of the second	75,000
Cost Ledger Control Ac	alatan, der com de amprejale verd handaleit des collectes de uniquelle auf malatanische Bereicht, del Sphrift Angelein	34,25,000
	35,00,000	35,00,000

	(१)
Finished Product (at cost)	11,25,000
Manufacturing overhead incurred	4,25,000
Raw material purchased	6,25,000
Factory wages	2,00,000
Indirect labour	1,00,000
Cost of sales	8,75,000
Materials issued to production	6,75,000
Sales returned (at cost)	45,000
Materials returned to suppliers	65,000
Manufacturing overhead charged to production	4,25,000

Required:

PREPARE the Cost Ledger Control Ac, Stores Ledger Control Ac, Work-in-progress Control A/c, Finished Stock Ledger Control A/c, Manufacturing Overhead Control A/c, Wages Control A/c, Cost of Sales A/c and the Trial Balance at the end of the quarter.

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Cost Ledger Control Account

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			****	TQUO-INTERNATIONAL		Gr.
			(1)			(8)
То	Store Control A/c	Ledger	65,000	Ву	Opening Balance	34,25,000
То	Balance c/d		47,10,000	Ву	Store ledger control A/c	6,25,000
ar da de proposition de la constitución de la const	n valorum, saalajasjon valoruminin kunsijalistava valoruminin valoruminin kunsijalistava valoruminin kunsijal Saalalalalalajalalalaja	hariyahi sagaha kalan inanangi sahi di saganga Kalan kalan saganga kalan		Ву	Manufacturing Overhead Control Ac	4,25,000
				Ву	Wages Control A/c	3,00,000
			47,75,000		The state of the s	47,75,000

Stores Ledger Control Account

Dr.

	(₹)		(4)
To Opening Balance	15,00,000	By WIP Control A/c	6,75,000
To Cost ledger control Ac	6,25,000	By Cost ledger control Ac (Returns)	65,000
		By Balance c/d	13,85,000
	21,25,000		21,25,000

WIP Control Account

Dr.

Cr.

		(₹)				(₹)
То	Opening Balance	7,50,000	Ву	Finished Ledger Control	Stock A/c	11,25,000
To	Wages Control A/c	2,00,000	Ву	Balance c/d	month Mannahaur argany and mu	9,25,000
To	Stores Ledger Control Ac	6,75,000			Politi dilabilara sessesso per	e de estación estacionación escalador especialista de estaciones especiales de estaciones de estacio
То	Manufacturing Overhead Control A/c	4,25,000		PODOSTRON KONSONIA MALIKINARI JARANIAN PARAMININA SANIKANIA KANIKANIA MALIKINARI MALIKARI MALIKINARI MALIKINARI MALIKINARI MALIKINARI MALIKINARI MALIKINARI MALIKINARI MALIKANI MALIKANI MA	STORY PARTIES ANNUAL CONTROL OF THE STORY OF	t de fonderer de Antoniscolar Biblioto-des publicar es capações de
		20,50,000		en Principles en en de des pour les remaines de la remaine de la republication des présentes de la republication des présentes de la republication		20,50,000

Finished Stock Ledger Control Account

Dr.

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	(₹)			(₹)
To Opening Balance	12,50,000	Ву	Cost of Sales	8,75,000
To WIP Control Ac	11,25,000	Ву	Balance c/d	15,45,000
To Cost of Sales A/c (Sales Return)	45,000		The second secon	6.5d involves seminapung (8th-relation-up helessen-sep.com)
	24,20,000	Protesta de la companya de la compan		24,20,000

Manufacturing Overhead Control Account

	(3)			(3)
To Cost Ledger Control Ac	4,25,000	Ву	Opening Balance	75,000
To Wages Control A/c	1,00,000	Ву	WIP Control A/c	4,25,000
The or close or colored against an effect of according to a select according to the colored value or a select according to		Ву	Under recovery c/d	2 5,000
	5,25,000			5,25,000

Wages Control Account

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		(₹)			(1)
To	Transfer to Cost Ledger Control A/c	3,00,000	Ву	WIP Control Ac	2,00,000
			Ву	Manufacturing Overhead Control A/c	1,00,000
		3,00,000			3,00,000

Cost of Sales Account

Dr.

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	(₹)		Shire Space	(₹)
To Finished Stock Ledger Control A/c	8,75,000	Ву	Finished Stock Ledger Control Ac (Sales return)	45,000
	publicated was constanted, that provided that existentials and children	Ву	Balance c/d	8,30,000
who was considered and white the desicions of the release of the design of the release of the service of the release of the re	8,75,000			8,75,000

Trial Balance

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Stores Ledger Control A/c	13,85,000
WIP Control A/c	9,25,000
Finished Stock Ledger Control A/c	15,45,000
Manufacturing Overhead Control Ac	25,000
Cost of Sales A/c	8,30,000

The supplier of the supplier o	The second second second second second second second	pursues visualizated automobile and their moderniar analysis
Cost ledger control Ac		47,10,000
	47,10,000	47,10,000

Contract Costing

GVL Ltd. commenced a contract on April 1, 2018. The total contract was for ₹1,08,50,000. It was decided to estimate the total profit and to take to the credit of Costing P & L A/c the proportion of estimated profit on cash basis which work completed bear to the total contract Actual expenditure in 2018-19 and estimated expenditure in 2019-20 are given below:

	2018-19	2019-20
	Actual (%)	Estimated (₹)
Material issued	18,24,000	32,56,000
Labour : Paid	12,20,000	15,20,000
: Outstanding at end	96,000	1,50,000
Plant purchased	9,00,000	g benguntan, baharanan Kasaranan apan etar, benduntuk na dan kasaran na dan dan dan dan dan dan dan dan da
Expenses : Paid	4,00,000	7,00,000
Outstanding at the end	-	1,00,000
: Prepaid at the end	90,000	-
Plant returned to stores (a historical stores)	3,00,000	6,00,000
		(on Sep. 30, 2019)
Material at site	1,20,000	3,00,000
Work-in progress certified	51,00,000	Full
Work-in-progress uncertified	1,60,000	Consideration of the Considera
Cash received	40,00,000	Full

The plant is subject to annual depreciation @ 20% of WDV cost. The contract is likely to be completed on September 30, 2019.

Required:

(i)	PREPARE	the	Contract	Ac	for	the	year	2018	-19	
-----	---------	-----	----------	----	-----	-----	------	------	-----	--

(i) PREPARE the Contract A		
(ii) ESTIMATE the profit for the	ne contract.	
	Andrew Committee and Committee of the Co	

GVL Ltd. Contract A/c (April 1, 2018 to March 31, 2019)

Particulars	January E.	Amount (₹)	Particulars	Amount
To Materials Issue	d	18,24,000	By Plant returned to Stores (Working Note 1)	2,40,000
ToLabour	12,20,000	The second of th	By Materials at Site	1,20,000
Add: Outstanding	96,000	13,16,000	By W.I.P.	to great too seeds on security the design, and Velocity, and
To Plant Purchase	ed	9,00,000	Certified 51,00,000	en grafi me sementjerin nastrano set nativaja uz vrganjat na .
To Expenses	4,00,000	tin alle i demokrati her entimetro, vito i dessella usejanlajavaja (no. glavaj	Uncertified 1,60,000	52,60,000
Less: Prepaid	90,000	3,10,000	By Plant at Site (Working Note 2)	4,80,000
To Notional Profit		17,50,000	mar vandelmen, immerimen samakann vaniskaldis diserepantin eleptoration destruction revenuels in republish samakanipal desembland essential. 2	
		61,00,000	один Макентан, информация профессов отношного завонафён «фончерного профессо», конберрей ретотору состоя односного и вышеского на надаления.	61,00,000

GVL Ltd.

Contract A/c (April 1, 2018 to September 30, 2019)

(For Computing estimated profit) Particulars Amount (₹) Particulars Amount (₹) To Materials Issued 50,80,000 By Material at Site 3,00,000 (₹ 18,24,000 + ₹32,56,000) To Labour Cost By Plant returned to Stores 28,90,000 2,40,000 (₹12,20,000 + ₹96,000 + ₹14,24,000* + ₹1,50,000) on 31.03.2019. To Plant purchased 9,00,000 By Plant returned to Stores 4,32,000 on 30.09.2019 (Working Note To Expenses 12,00,000 By Contractee A/c 1,08,50,000 (₹3,10,000 + ₹7,90,000 + ₹1,00,000) To Estimated profit 17,52,000 1,18,22,000 1,18,22,000

Working Notes

1.

		(₹)
1.	Value of the Plant returned to Stores on 31.03.2019	
	Historical Cost of the Plant returned	3,00,000
	Less: Depreciation @ 20% of WDV for one year	(60,000)
		2,40,000
2.	Value of Plant at Site 31.03.2019	
	Historical Cost of Plant at Site (₹9,00,000 - ₹3,00,000)	6,00,000
	Less: Depreciation @ 20% on WDV for one year	(1,20,000)
ļ		4,80,000
3.	Value of Plant returned to Stores on 30.09.2019	The state of the s
	Value of Plant (WDV) on 31.3.2019	4,80,000
	Less: Depreciation @ 20% of WDV for a period of 6 months	(48,000)
processor constitutes		4,32,000
4.	Expenses Paid for the year 2018-19	
	Total expenses paid	4,00,000
	Less: Pre-paid at the end	(90,000)
mates. Present		3,10,000

^{*} Labour paid in 2019-20: ₹15,20,000 - ₹96,000 = ₹14,24,000

Batch Costing

8. BTLLLP. manufactures glass bottles for HDL Ltd., a pharmaceutical company, which is in ayurvedic medicines business..

BTL can produce 2,00,000 bottles in a month. Set-up cost of each production run is $\stackrel{?}{\checkmark}$ 5,200 and the cost of holding one bottle for a year is $\stackrel{?}{\checkmark}$ 1.50.

As per an estimate HDL Ltd. can order as much as 19,00,000 bottles in a year spreading evenly throughout the year.

At present the BTL manufactures 1,60,000 bottles in a batch.

Required:

- (i) COMPUTE the Economic Batch Quantity for bottle production.
- (ii) COMPUTE the annual cost saving to BTL by adopting the EBQ of a production.

8. Economic Batch Quantity (EBQ) = $\sqrt{\frac{2DS}{C}}$

Where, D = Annual demand for the product

S = Setting up cost per batch

C = Carrying cost per unit of production

(i) Computation of EBQ:

$$= \sqrt{\frac{2 \times 19,00,000 \times \$5,200}{\$1.5}}$$

= 1,14,775 bottles

(ii) Computation of savings in cost by adopting EBQ:

Jacopang Luc.					
Batch Size	No. of Batch	Set-up cost	Carrying cost	Total Cost	
1,60,000 bottles	12	62,400 (₹5,200 × 12)	1,20,000 (₹1.5 × ½ × 1,60,000)	1,82,400	
1,14,775 bottles	17	88,400 (₹5,200 × 17)	86,081.25 (₹1.5 × ½ × 1,14,775)	1,74,481.25	
		Saving		7 9 1 8 7 5	

Job Costing

9. Ispat Engineers Limited (IEL) undertook a plant manufacturing work for a client. It will charge a profit mark up of 20% on the full cost of the jobs. The following are the information related to the job:

Direct materials utilised - ₹1,87,00,000

Direct labour utilised - 2,400 hours at ₹80 per hour

Budgeted production overheads are Rs. 48,00,000 for the period and are recovered on the basis of 24,000 labour hours.

Budgeted selling and administration overheads are ₹18,00,000 for the period and recovered on the basis of total budgeted total production cost of ₹36,00,00,000.

Required:

CALCULATE the price to be charged for the job.

9. Calculation of job price

Particulars	Amount (₹)
Direct materials	1,87,00,000
Direct wages (₹80 × 2,400 hours)	1,92,000
Production overheads $\left(\frac{₹48,00,000}{24,000 hrs} \times 2,400 hrs\right)$	4,80,000
Production cost	1,93,72,000
Selling and administration overheads	96,860
\(\begin{align*} \frac{₹18,00,000}{₹36,00,00,000} \times ₹1,93,72,000 \end{align*}\)	
Total cost of sales	1,94,68,860
Profit mark-up @ 20%	38,93,772
Price for the job	2,33,62,632

1	Profit mank-up @ 20%	30,33,112	
	Price for the job	2,33,62,632	and the second s
		Company of the Compan	A
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	77. (1986)		

Service Costing

10. A transport company has a fleet of four trucks of 10 tonne capacity each plying in different directions for transport of customer's goods. The trucks run loaded with goods and return empty. The distance travelled, number of trips made and the load carried per day by each truck are as under:

Truck No.	Cne wey	No. of Cips	lood sales
Huck No.	Distance Km	per day	per tra / day tonnes
1	48	A contact to return to annex in transport in the annex of annex as served by based to	of Sparses on sequence that we carried an appropriate sparses on operators are expressed our ampropriate value
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The analysis of maintenance cost and the total distance travelled during the last two years is as under

13	as unaci		
Total Control	Veer	Total distance travelled	Maintenance Cost (
	1	1,60,200	1,38,150
an and a second	2	1,56,700	1,35,525

The following are the details of expenses for the year under review:

ne following are the details of expenses		
Diesel	₹ 60 per litre. Each litre gives 4 km per litre of diesel on an average.	
Driver's salary	₹ 22,000 per truck per month	
Licence and taxes	₹ 15,000 per annum per truck	
Insurance	₹ 80,000 per annum for all the four trucks	
Purchase Price per truck	₹30,00,000, Life 10 years. Scrap value at the end of life is ₹1,00,000.	
Oil and sundries	₹ 525 per 100 km run.	
General Overhead	₹ 1,10,840 per annum	

The trucks operate 24 days per month on an average.

Required

- PREPARE an Annual Cost Statement covering the fleet of four trucks.
- (ii) CALCULATE the cost per km. run.
- (iii) DETERMINE the freight rate per tonne km. to yield a profit of 30% on freight.

10. (i) Annual Cost Statement of four vehicles

	(₹)
Diesel {(4,21,632 km. + 4 km) × ₹ 60) (Refer to Working Note 1)	63,24,480
Diesei {(4,21,632 km. + 100 km.) × ₹ 525}	22,13,568
Oil & sundries {(4,21,632 km. × ₹ 0.75) + ₹ 18,000}	3,34,224
(Refer to Working Note 2) Drivers' salary {(₹22,000 × 12 months) × 4 trucks}	10,56,000
Drivers salary {(₹22,000 × 12 manus) Licence and taxes (₹ 15,000 × 4 trucks)	60,000
Insurance	80,000 11,60,000
Depreciation {(₹29,00,000 ÷ 10 years) × 4 trucks}	1,10,840
General overhead Total annual cost	1,13,39,112

(ii) Cost per km. run

Total annual cost of vehicles (Refer to Working Note 1) Cost per kilometer run = Total kilometre travelled annually

(iii) Freight rate per tonne km (to yield a profit of 30% on freight)

 $\label{eq:cost_cost} \text{Cost per tonne km.} = \frac{\text{Total annual cost of three vehicles}}{\text{Total effective tonnes kms. per annum}} \, \text{(Refer to Working Note 1)}$

Freight rate per tonne km.
$$\left(\frac{₹7.04}{0.7}\right) \times 1 = ₹10.06$$

Working Notes:

1. Total kilometre travelled and tonnes kilometre (load carried) by four trucks in one year

Truck number	One way distance in kms	No. of trips	Total distance covered in km per day	Load carried per trip / day in tonnes	Total effective tonnes km
1	48 X 2	× 4	384 -	2 x 6	1,152
2	1207/2	× 1	240 🚣	2×9	1,080
3	90 x2	× 2	360 🚣	2 x 8	1,440
4	60 X2	× 4	480	2_x8	1,920
Total	and the second or reserved to the second of the second or	The second secon	1,464		5,592

Total kilometre travelled by four trucks in one year

= 4,21,632

Total effective tonnes kilometre of load carried by four trucks during one year

= 16,10,496

2. Fixed and variable component of maintenance cost:

Variable maintenance cost per km=

Difference in maintenance cost

Difference in distance travelled

= ₹ 0.75

Fixed maintenance cost

= Total maintenance cost-Variable maintenance cost

= ₹1,38,150 - 1,60,200 kms × ₹ 0.75 = ₹ 18,000

Process Costing

11. A product is manufactured in two sequential processes, namely Process-1 and Process-2.

The following information relates to Process-1. At the beginning of June 2019, there were 1,000 WIP goods (60% completed in terms of conversion cost) in the inventory, which are valued at ₹2,86,020 (Material cost ₹2,55,000 and Conversion cost ₹31,020). Other information relating to Process-1 for the month of June 2019 is as follows;

Cost of materials introduced- 40,000 units (₹)	96,80,000
Conversion cost added (₹)	18,42,000
Transferred to Process-2 (Units)	35,000

Closing WIP (Units) (60% completed in terms of conversion cost) 1,500

100% of materials are introduced to Process-1 at the beginning. Normal loss is estimated at 10% of input materials (excluding opening WIP).

Required: ·

- (i) PREPARE a statement of equivalent units using the weighted average cost method and thereby calculate the following:
- (ii) CALCULATE the value of output transferred to Process-2 and closing WIP.

AND AND THE PARTY OF A COMMENT OF THE PARTY	(II) CALCULATE the valu	e of output transfe	rred to Process-2 an	d closing WIP.	
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Standard Costing

12. JVG Ltd. produces a product and operates a standard costing system and value material and finished goods inventories at standard cost. The information related with the product is as follows:

Particulare	Cost pertinit(3)
Direct materials (30 kg at ₹350 per kg)	10,500
Direct labour (5 hours at ₹80 per hour)	400

The actual information for the month just ended is as follows:

- (a) The budgeted and actual production for the month of September 2019 is 1,000 units.
- (b) Direct materials –5,000 kg at the beginning of the month. The closing balance of direct materials for the month was 10,000 kg. Purchases during the month were made at ₹ 365 per kg. The actual utilization of direct materials was 7,200 kg more than the budgeted quantity.
- (c) Direct labour 5,300 hours were utilised at a cost of ₹ 4,34,600.

Required:

CALCULATE (i) Direct material price and usage variances (ii) Direct labour rate and efficiency variances.

	efficiency variances.		()	and the second second	
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	(manufacturing costs of a uniformly throughout the	of its product at ₹375 per unit. Varial ₹140 and selling cost ₹35 per unit). year and amount to ₹65,00,000 beginning or ending inventories.	Fixed costs are incurred	
William of the state of the sta	Required:			-
	(i) COMPUTE breakeve	n sales level quantity and cash break	even sales level quantity.	
	(ii) COMPUTE the PN r	atio.		***
	(iii) COMPUTE the number ₹5,00,000.	of units that must be sold to eam	an income (EBIT) of	
	40% corporate tax rate.	el, achieve an after-tax income (PAT)	of ₹5,00,000, assume	
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Budget and Budgetary Control

KLM Limited has prepared its expense budget for 50,000 units in its factory for the year
 2019-20 as detailed below:

Direct Materials	(Certific)
Direct Labour	125
Variable Overhead	50
Direct Expenses	40
Selling Expenses (20% fixed)	15
Factory Expenses (100% fixed)	25
Administration expenses (100% fixed)	15
Distribution expenses (85% variable)	No. of the control of
Total	20
	298

PREPARE an expense budget for the production of 35,000 units and 70,000 units.

14. Expense Budget of KLM Ltd.

Particulars	50,000 Units	35,000 Units	70,000 Units (₹)
Direct Material	62,50,000	43,75,000	87,50,000
	(50,000 x 125)	(35,000 x 125)	(70,000 x 125)
Direct Labour	25,00,000	17,50,000	35,00,000
	(50,000 x 50)	(35,000 x 50)	(70,000 x 50)
Variable Overhead	20,00,000	14,00,000	28,00,000
	(50,000 x 40)	(35,000 x 40)	(70,000 x 40)
Direct Expenses	7,50,000	5,25,000	10,50,000
	(50,000 x 15)	(35,000 x 15)	(70,000 x 15)
Selling Expenses (Variable)*	10,00,000	7,00,000	14,00,000
	(50,000 x 20)	(35,000 x 20)	(70,000 x 20)
Selling Expenses (Fixed)* (5 x 50,000)	2,50,000	2,50,000	2,50,000
Factory Expenses (Fixed) (15 x 50,000)	7,50,000	7,50,000	7,50,000
Administration Expenses (Fixed) (8 x 50,000)	4,00,000	4,00,000	4,00,000
Distribution Expenses (Variable)**	8,50,000	5,95,000	11,90,000
	(17 x 50,000)	(17 x 35,000)	(17 x 70,000)
Distribution Expenses (Fixed)** (3 x 50,000)	1,50,000	1,50,000	1,50,000
	1,49,00,000	1,08,95,000	2,02,40,000

^{*}Selling Expenses: Fixed cost per unit = ₹25 x 20% = ₹5

Fixed Cost = ₹5 x 50,000 units = ₹2,50,000

Variable Cost Per unit = ₹25 - ₹5 = ₹20

Fixed Cost = ₹3 x 50,000 units = ₹1,50,000

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^{**}Distribution Expenses: Fixed cost per unit = ₹20 x 15% = ₹3

Miscellaneous

- 15. (i) DIFFERENTIATE between Cost Accounting and Management Accounting.
 - (ii) EXPLAIN the meaning of Budget Manual.
 - (iii) EXPLAIN the term Equivalent units used in process industries.
- 15. (i) Difference between Cost Accounting and Management Accounting

	Basis	Cost Accounting	Management Accounting
(i)	Nature	It records the quantitative aspect only.	It records both qualitative and quantitative aspect.
(11)	Objective	It records the cost of producing a product and providing a service.	It Provides information to management for planning and co-ordination.
(iii)	Area	It only deals with cost Ascertainment.	It is wider in scope as it includes financial accounting, budgeting, taxation, planning etc.
(iv)	Recording of data	It uses both past and present figures.	It is focused with the projection of figures for future.
(v)	Development	Its development is related to industrial revolution.	It develops in accordance to the need of modern business world.
(vi)	Rules and Regulation	It follows certain principles and procedures for recording costs of different products.	It does not follow any specific rules and regulations.

- (ii) Budget Manual: A budget manual is a collection of documents that contains key information for those involved in the planning process. Typical contents could include the following:
 - An introductory explanation of the budgetary planning and control process, including a statement of the budgetary objective and desired results.
 - A form of organisation chart to show who is responsible for the preparation of each functional budget and the way in which the budgets are interrelated.
 - A timetable for the preparation of each budget. This will prevent the formation
 of a 'bottleneck' with the late preparation of one budget holding up the
 preparation of all others.
 - Copies of all forms to be completed by those responsible for preparing budgets, with explanations concerning their completion.
 - A list of the organization's account codes, with full explanations of how to use them.
 - Information concerning key assumptions to be made by managers in their budgets, for example the rate of inflation, key exchange rates, etc.
- (iii) Equivalent Units: Equivalent units or equivalent production units, means converting the incomplete production units into their equivalent completed units. Under each process, an estimate is made of the percentage completion of work-in-process with regard to different elements of costs, viz., material, labour and overheads. It is important that the estimate of percentage of completion should be as accurate as possible. The formula for computing equivalent completed units is:

 $\label{eq:equivalent} \mbox{Equivalent completed units} = \left(\begin{array}{c} \mbox{Actual number of units in} \\ \mbox{the process of manufacture} \end{array} \right) \times \left(\begin{array}{c} \mbox{Percentage of} \\ \mbox{Work completed} \end{array} \right)$

For instance, if 25% of work has been done on the average of units still under process, then 200 such units will be equal to 50 completed units and the cost of work-in-process will be equal to the cost of 50 finished units.



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