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Proce word

11 अप्रैल

Day 4

Chapter – 10

Process Costing

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Notes:-

Process Costing

↓ Steps involved in production

↓ Calculation of Cost

example:-

- Student → foundation + Inter + final → CA.

ICAI ✗✗ Coaching ✗✗ (✓ + ✓) + (✓ + ✓) + (✓ + ✓) = Total.

- Cloth → Process I cutting (X, XXL, XXL) → Process 2 stiching → Process 3 Boarding → T-Shirt

Budgeted cost	60	30	10	100
Actual cost	70	40	10	120
	10↑	10↑	–	20↑

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Chapter overview

Process Costing

1. Process a/c without WIP (6 steps)

ADJUSTMENTS

1. Normal loss & abnormal loss
2. Normal gain & abnormal gain
3. Output of Process I
4. Output of last process
5. Costing P&L a/c

2. Process a/c with WIP (6 steps)

ADJUSTMENTS

1. Process a/c with two material
2. Cal of Normal loss
3. Conversion cost
4. Method to be followed

→ FIFO (CP)
→ WAM (LP+CP)

Inter Process Profit

Particulars	Qty	Amt	Particulars	Qty	Amt
			Normal loss		

CPU =

Abnormal loss

Normal loss

Abnormal gain

To Normal		By Process		To Bank	
					By CB
					By Abnor Gain

Note: Amount column:-
We need to calculate the cost amount of following:-
1. output of current process
2. closing WIP
3. ANG OR ANL [Step3 = Step4 = Step5 / qty × CPU = amount] → 10 lines

1. Process a/c without WIP

Particulars		Qty	Amt.
		(left boundary)	(right boundary)
Step 1:	Dr side: Input Material	✓	✓
Step 2:	Dr side: Material	—	✓
	Labour	—	✓
	OH	—	✓
Step 3:	Cr Side: Normal loss	✓	✓
		% of input mat qty	NL qty × Scrap value
Step 4:	formula: CPU (4 decimals) = (Total Cost − Scrap value) / (Total Qty − NL Qty)		= Amt (Dr − Cr) / Qty (Dr − Cr)
Step 5:	Cr Side: Actual output tsf to next process (If last process then to FG)	✓ (given)	✓ Qty × CPU
Step 6:	Close Process a/c: If Balancing figure on dr side: Abnormal Gain (ANG) Cr side: Abnormal loss (ANL)		

ADJUSTMENTS

1. Normal loss & Abnormal loss :→

Step1: Give Second effect:
Normal loss a/c → Dr side: To Process a/c
Abnormal loss a/c → Dr side: To Process a/c

Step2: Sale of Scrap: (Qty X Scrap value)
Normal loss a/c → Cr side: By Cash/Bank a/c
Abnormal loss a/c → Cr side: By Cash/Bank a/c

Step3: Close respective a/cs
Normal loss a/c → Tally.
Abnormal loss a/c → Bal figure — on credit side will be tkf to Costing P&L a/c

2. Abnormal loss & Abnormal Gain :→

Step1: Give second effect
Normal loss a/c → Dr side: To Process a/c
Abnormal Gain a/c → Cr side: By Process a/c

Step2: Sale of Scrap
Normal loss a/c → Cr side
↳ By Cash/Bank a/c (NL − ANL credit)
↳ By Abnormal Gain

ANL appearing in Normal loss a/c will be tkf on the dr side of ANL a/c

Step3: Close Respective a/c
Normal loss a/c → Tally
Abnormal Gain a/c → Bal figure on debit side will be tkf to Costing P&L a/c

3. Output of Process :-

- Entire output transferred to next Process
  - By output transferred to next Process (Qty × CPU)
- Partly transferred & Partly sold (in market)
  - Partly transferred
    - By output transferred to next process (Qty × CPU)
  - Partly sold
    - By Costing P&L (Qty × CPU).

Process is not responsibility Centre
- Costing P&L (Qty × CPU)
- If Question is silent

Process is responsibility Centre
- By sales (Qty × SP)
- Profit showing in Process a/c is transferred to Costing P&L

NOTE: ~~If Question is silent then assume Process is not responsibility Centre.~~

4. Output of Last Process

- Entire output is sold
  - By costing P&L a/c (Qty × CPU)
- Partly sold & Partly is Closing stock
  - By FG a/c (Qty × CPU)

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Accounting System.

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5. Costing P&L a/c

- Common expenses : If ratio for apportionment to process a/c is given

  - Yes → Process a/c
  - No. → Costing P&L

→ shortcut for
Abnormal Gain / Loss = (Total CPU − Scrap value) × Qty

SUMMARY

Process a/c without O/P

① Process a/c
② Equivalent Prod^n statement
③ CPU statement
④ Allocating cost

note 1: After Step 1 : Amount Column
we need to calculate the cost amount of following :-

(a) output t/f to next Process
(b) closing W/P
(c) ~~ANG or~~ ANL

Step 3 × Step 4 = Step 5
Eq Prod × CPU = App cost

If Scrap value is ...
Units Scrap = N...

2. ...

Step 1 :

Step 2 :

Step 3 :

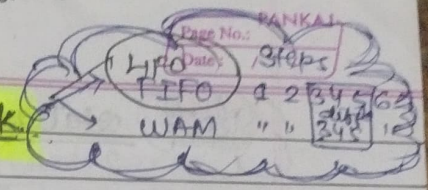
Step ...

If scrap value is not given then it is zero

Units Scrap = NL + ANL

Scrapped unit - ignore.

2. Process a/c with WIP stock



Step 1: Process a/c :→
read entire Question & fillup process a/c

Step 2: Quantity Column :→
close quantity column of process a/c
If Bal figure on [Dr side : Abnormal Gain
Cr side : Abnormal loss

Step 3: Statement showing Equivalent Prod^n :→
FIFO method : (Current Period)

Particulars	qty.	material % | qty	labour % | qty	OH % | qty.
(a) Output tf to next process:				
(i) opening WIP completed	x	(% given in Q – 100)		
(ii) Started & completed	x	Always 100%		
(b) Closing WIP	x	(% given in Q)		
(c) Abnormal loss "Or"	x →	Notes ← turn page		
Abnormal Gain	(x)	Always 100% & subtracted.		

Step 4: Statement showing CPU :→
FIFO method : (Current Period)

Particulars	Mat	Amt. Lab	OH.
Cost incurred in: Current Period		x	
(–) Scrap		(–) x	only from material
Net cost		x	
÷ Equivalent Prod^n		÷ x	
Current CPU		x	(current Period)

Step5: Statement showing apportionment of cost :→ fifo method.

(a) Output transferred to next Process

(i) opening WIP completed

Particulars	Mat	Lab	OH	
Eq Prodn	x	x	x	
x CPU	x	x	x	
	x	x	x	x
(+) Last Period Cost				x
				x
(ii) Started & completed (units x total CPU)				x
				x

(b) closing WIP

Particulars	Mat	Labour	OH	
Eq Prodn	x	x	x	
x CPU	x	x	x	
	x	x	x	x

Step6: Amount column

Close Amount column of Process a/c

If Bal figure on: Dr Side : Abnormal Gain

Cr Side : Abnormal Loss

Notes - Preference 1: If given in question
→ Preference 2: If Question is silent then always 100%.
3 - Defects related to process.

WAM = Weighted Avg Method

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Step 3: Statement showing Equivalent Period:-

WAM : (Last Period + Current Period)

Particulars.	Qty	mat %	Labour %	OH %
(a) Output trf to next process	x	always 100%		
(b) Closing WIP	x	(% given in Question)		
(c) Abnormal loss (Added)	x	Note 1		
or				
Abnormal Gain	(x)	Always 100% (Subtract)		

Step 4: Statement showing CPU (LP+CP)

Conversion cost

Particulars.	Input mat	material	Labour	OH
Cost Incurred in:				
Last Period		x	x	x
+ Current Period		x		
- Scrap + Normal loss (Qty × %)		(x) (Only mat)	Note: scrap value should be subtracted from main material (if input mat then sum P of mat)	
Net Cost		x		
÷ Equivalent Prod^n		÷ x		
CPU		x	x	
total CPU			Avg. (x) (LP+CP)	

Step 5: Statement showing allocation of profit.

WAM (LP+CP).

(a) output trf to next process.

(units × Total CPU) Avg. XX

(b) Closing WIP / Abnormal loss

Particulars	mat	Lab	OH	
Eq Prod^n	x	x	x	
× CPU	x	x	x	
	x	x	x	xx

ADJUSTMENTS

1. Process ac with Two material

Material A
(main material)
[material received from earlier Process]
↓
opWIP — 0
others — 100%
↓
{Scrap is subtracted from main material be material A}

Material B
↓
[material input by Current Period]
↓
Solve like normal material.

2. Calculation of Normal loss

Question:

opWIP	100
Input Mat	500
Closing WIP	150
actual output tf to next Process	400

Cases :-

① Normal loss is 10% of Total Input including opWIP
Normal loss = (100+500) × 10% = 60 units

② Normal loss is 10% of Input
Normal loss = 500 × 10% = 50 units

③ Normal loss is 10% of Production

opWIP	100
+ Input mat	500
− closing WIP	−(150)
Prod^n	450
× Normal loss (%)	×10%
units Normal loss	45 units

(4) Normal loss is 10% of good units trf to next Process
Normal loss = 400 × 10% = 40 units

3. <u>Conversion Cost:-</u>

- It means cost incurred to convert Raw material into finished Goods
- It includes : Labour & Factory OH
- It does not include : Raw Material

4. <u>Method to be followed:-</u>

Preference I → ~~method specified in Q~~

Preference 2. → ~~If Q is silent~~ → Breakup of OPWIP given in term of

- % of Completion → FIFO (current Period)
  - output trf to next Process: (a) OPWIP completed (b) WIP
- cost incurred for mat, Lab & OH → WAM (Last + Current Period)
  - output trf to next Process

Inter Process Project