

<b>Cost &amp; Management Accounting</b>		<b>CA R. K. Mehta</b>
<b>Test - 16</b>		
<b>Time Allowed : 1 hour 30 Min.</b>		<b>Total Marks: 50 Marks</b>

**Q.1:** Explain Sub- contracting along with its advantages. (5 Marks)

**Q.2:** Explain Inter Process Profits. (5 Marks)

**Q.3:** An amount of ₹ 19,80,000 was incurred on a contract work upto 31-03-2004. Certificates have been received to date to the value of ₹ 24,00,000 against which ₹ 21,60,000 has been received in cash. The cost of work done but not certified amounted to ₹ 45,000. It is estimated that by spending an additional amount of ₹ 1,20,000 (including provision for contingencies), the work can be completed in all respects in another two months. The agreed contract price of the work is ₹ 25 lakhs. Compute the profit to be taken to the Profit and Loss account under different methods. (5 Marks)

**Q.4:** In a manufacturing unit, raw materials passes through four Process I, II, III and IV and the output of each process is the input of the subsequent processes. The loss in the four processes I, II, III and IV are respectively 25%, 20%, 20% and  $16\frac{2}{3}\%$  of the input. If the end product at the end of Process IV is 40,000 kg what is the quantity of raw material required to be fed at the beginning of Process I and the recovery rate cost of same if purchase price is ₹ 50 per kg. (5 Marks)

**Q.5:** From the following Information for the month ending October, 2005 prepare Process Cost accounts for Process III. Use First-out (FIFO) method to value equivalent production.

Opening WIP 2,000 units at ₹ 25,750	Units scrapped 2,000 units
Transfer from Process II 53,000 units at ₹ 4,11,500	Direct material added on Process III ₹ 1,97,600
Transferred to Process IV 48,000	Direct wages ₹ 97,600
Closing stock of Process III 5,000 units	Production Overheads ₹ 48,800

The normal loss in the process was 5% of gross production and scrap and sold at ₹ 3 per unit. The degree of completion is: -

Particulars	Opening WIP	Closing WIP	Scrap
Material	80%	70%	100%
Labour	60%	50%	80%
Overheads	60%	50%	60%

(10 Marks)

**Q.6:** A contractor commenced a contract on 1-7-2011. The costing records concerning the said contract reveal the following information as on 31-3-2012:

Particulars	Amount of (₹)
Material sent site	7,74,300
Labour paid	10,79,000
Labour outstanding as on 31-3-2012	1,02,500
Salary to engineer	20,500 per month
Cost of plant sent to site (1-7-2011)	7,71,000
Salary to supervisor ( $\frac{3}{4}$ time devoted to contract)	9,000 per month
Administration & other expenses	4,60,600
Prepaid administration expenses	10,000
Material in hand at site as on 31-3-2012	75,800

Plant used for the contract has an estimated life of 7 years with residual value at the end of life ₹ 50,000. Some of material costing ₹ 13,500 was found unsuitable and sold for ₹ 10,000. Contract price was ₹ 45,00,000. On 31-3-2013 two third of the contract was completed. The architect issued certificate covering 50% of contract price and contractor has been paid ₹ 20,00,000 on account. Depreciation on plant is charged on straight line basis. **Prepare Contract Account.** (10Marks)

**Q.7:** Three joint products are produced by passing chemicals through two consecutive processes. Output from Process I is transferred to process II from which the three joint products are produced and immediately sold. The data regarding the processes are given below: -

Particulars	Process I	Process II
Direct Material 2,500 kilos at ₹ 4 per kilo	₹ 10,000	--
Direct Labour	6,250	₹ 6,900
Overheads	₹ 4,500	₹ 6,900
Normal Loss	10% of input	Nil
Scrap Value of Loss	₹ 2 per kilo	--
Output	2,300 kilos	Joint products
		A : 900 kilos, B : 800 kilos and C : 600 kilos

There were no opening or closing stock in either process and the selling prices of the output from Process II were: - Joint Product A ₹ 24 per kilo, Joint Product B ₹ 18 per kilo and Joint Product C ₹ 12 per kilo.

**Required: -**

- (a) Prepare an account for Process I together with any Loss or Gain Account you consider necessary to record the month's activities.
- (b) Calculate the profit attributable to each of the Joint Products by apportioning the total costs from Process II: (i) According to weight of output; (ii) By the market value of production. **(10 Marks)**