| CMA TEST- 2 (Solution) | | |
|---|---|---|
| Time Allowed: 50 mint. | | Total Marks: 30 Marks |

**Answer to Question no.1:** **Packing of Goods**

1. Packing of goods may be considered necessary for
   a) Manufacturing the goods
   b) Safe Delivery of goods to various branches, agents, or other places where goods are kept before being sold to various customers.
   c) Safe delivery of goods to the customers.
2. The packing cost in context of manufacturing of goods is known as "Primary Packing Cost".
   For Example, the bottle, cane, jar, tube, etc. which contains the main product can be regarded as "Primary Packing Cost".
3. Primary packing cost is to be recorded after ascertaining the Factory Cost. In other words it is to be recorded as part of 'Cost of Production".
4. The packing cost in relation to safe delivery of goods to various branches, agents, etc. is to be recorded as part of "Distribution Overheads".
5. The Packing cost in relation to safe delivery of goods to the place of the customers is to be recorded as part of "Selling Overheads".

**Answer to Question no.2:** **Cost Sheet for the year ended 31st December**

| Particulars | Amount (₹) |
|---|---|
| Materials used | 50,000 |
| Production wages | 40,000 |
| **Prime cost** | 90,000 |
| Works overhead | 8,000 |
| Works cost | 98,000 |
| Office overhead | 4,900 |
| **Total cost** | 1,02,900 |

**Overhead Rates:-**

**% of works overhead to wages**

$$= \frac{\text{Works overhead}}{\text{Wages}} \times 100 = \frac{8,000}{40,000} \times 100 = 20\%$$

**% of office overhead to work cost**

$$= \frac{\text{Office overhead}}{\text{Work Costs}} \times 100 = \frac{4,900}{98,000} \times 100 = = 5\%$$

**Estimated Cost Sheet for a Radio**

| Particulars | Amount (₹) |
|---|---|
| Materials | 250 |
| Wages | 150 |
| **Prime cost** | 400 |
| Works overhead: 20% of wages | 30 |
| **Works cost** | 430 |
| Office overhead: 5% of works cost | 21.50 |
| **Total Cost** | 451.50 |
| Add: Profit 20% on cost | 90.30 |
| **Sale price** | 541.80 |

**Answer to Question no.3:** **Statement showing cost of production (16,000 tons)**

| Particulars | Total (₹) | Per ton (₹) |
|---|---|---|
| Opening Stock of raw materials | 20,000 | |
| Add: Purchases of raw materials | 1,20,000 | |
| Add: Carriage inwards | 1,440 | |
| Less: Closing stock of materials | (22,240) | |
| Direct Materials | 1,19,200 | 7.45 |
| Direct Wages | 1,00,000 | 6.25 |
| **Prime Cost** | 2,19,200 | 13.70 |
| Rent, rates, insurance of factory | 40,000 | 2.50 |
| Factory supervision | 8,000 | 0.50 |
| Add: Opening Work-in-progress | 4,800 | 0.30 |
| | 2,72,000 | 17.00 |
| Less: Closing Work-in-progress | (16,000) | (1.00) |
| **Cost of Production/Works Cost** | 2,56,000 | 16.00 |

**Statement showing profit on quantity sold**

| Particulars | Amount (₹) |
|---|---|
| Cost of production (16,000 tons)(@ ₹ 16 per tonne) | 2,56,000 |
| Add: Opening stock of final goods (1,000 tons) (@ ₹ 16 per tonne) | 16,000 |
| Cost of goods available (17,000 tons) (@ ₹ 16 per tonne) | 2,72,000 |
| Less: Closing stock of final goods (2,000 tons) (@ ₹ 16 per tonne) | (32,000) |
| Cost of goods sold (15,000 tons) (@ ₹ 16 per tonne) | 2,40,000 |
| Add: Selling overheads (Advertising) (15,000 tons @ ₹ 1 per tons) | 15,000 |
| **Cost of sales** (15,000 tonnes @ ₹ 17 per tonne) | 2,55,000 |
| Profit (Balance) | 45,000 |
| **Sales** (15,000 tons @ ₹ 20) | 3,00,000 |

**Answer to Question no.4:**

**Trading and Profit and Loss Account for the year ended on March 31, 2018**

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|---|---|---|---|
| To Direct materials | 3,55,000 | By Sales (1,80,000 units) | 16,20,000 |
| To Direct wages | 3,60,000 | By Closing stock of finished goods (3,000 units) | 1,50,000 |
| To Manufacturing expenses | 2,45,000 | | |
| To Office and administration expenses | 2,40,000 | By Interest received | 25,000 |
| To Selling and distribution overheads | 2,00,000 | | |
| To Donation and charity | 20,000 | | |
| To Interest on debentures | 48,000 | | |
| To Preliminary expenses written off | 20,000 | | |
| To Provision for tax | 75,000 | | |
| To Net profit | 2,32,000 | | |
| | **17,95,000** | | **17,95,000** |

**Cost Sheet**

| Particulars | Amount (₹) |
|---|---|
| Direct materials | 3,55,000 |
| Direct wages | 3,60,000 |
| **Prime cost** | 7,15,000 |
| Add: Manufacturing overheads (80% of direct wages) | 2,88,000 |
| **Factory cost** | 10,03,000 |
| Add: Production related administration overheads (25% of factory cost) | 2,50,750 |
| **Cost of production (2,10,000 units)** | 12,53,750 |
| Less: Closing stock of finished goods (₹ 12,53,750/2,10,000 units × 30,000 units) | (1,79,107) |
| **Cost of goods sold (1,80,000 units)** | 10,74,643 |
| Add: Selling overheads (₹ 1 per unit) | 1,80,000 |
| **Cost of sales** | 12,54,643 |
| Profit (**Bal. figure**) | 3,65,357 |
| **Sales (1,80,000 units)** | **16,20,000** |

**Reconciliation Statement**

| Particulars | + | − |
|---|---|---|
| Profit as per cost books | 3,65,357 | |
| Manufacturing overheads over-recovered in cost books (2,88,000 - 2,45,000) | 43,000 | |
| Office and administration overheads over-recovered in cost books | 10,750 | |
| Closing stock over-valued in cost books | | 29,107 |
| Selling overheads under-recovered in cost books | | 20,000 |
| Interest received recorded in financial books | 25,000 | |
| Donation and charity, Interest on debentures, Preliminary expenses written off and Provision for tax recorded in financial books | | 1,63,000 |
| | **4,44,107** | **2,12,107** |

Profit as per financial books = 4,44,107 - 2,12,107 = ₹ **2,32,000.**