

Process Costing

Time Allowed : 45 Minutes

TEST-11

Total Marks: 25 Marks

Q.1 At the end of Process A during the week ending July 31st 2015, the number of units produced was 850 excluding 50 abnormally damaged units. The damaged units realized ₹ 3 per unit as scrap. A normal wastage of 10 per cent occurs during the process. The wastage realized ₹ 2 per unit.

A unit of raw material costs ₹ 4. The other expenses for the week were: -

Wages - ₹ 500; Power - ₹ 200 and General expenses - ₹ 450.

40% of the output is sold as to show a profit of $16\frac{2}{3}\%$ on the selling price, the rest of the output is transferred to Process B. **Prepare** Process A Account, Normal Loss Account and Abnormal Loss Account.

(5 Marks)

Q.2 ABX Company Ltd. provides the following information relating Process – B:

(i) Opening Work-In-Progress	- Nil
(ii) Units Introduced	- 45,000 units @ ₹ 10 per unit
(iii) Expenses debited to the process:	
Additional material	₹ 65,500
Labour	₹ 90,800
Overheads	₹ 1,80,700
(iv) Normal loss in the process	- 2% of Input
(v) Work-In-Progress (at the end)	- 1,800 units
Degree of completing	
Materials	- 100%
Labour	- 50%
Overheads	- 40%
(vi) Finished output	- 42,000 units
(vii) Degree of completion of abnormal loss:	
Materials	- 100%
Labour	- 80%
Overhead	- 60%
(viii) Units scrapped as normal loss were sold at ₹ 5 per unit.	
(ix) All the units of abnormal loss were sold at ₹ 2 per unit.	

You are required to prepare:

(a) Statement of equivalent production.

(b) Statement showing the cost of finished goods, abnormal loss and closing balance of work-in-progress.

(c) Process-B account and abnormal loss account.

(10 Marks)

Q.3 A Ltd. produces 'M' as a main product and gets two by products – 'P' and 'Q' in the course of processing.

Following information are available for the month of October, 2017:

	M	P	Q
Cost after separation	-	₹ 60,000	₹ 30,000
No. of units produced	4,500	2,500	1,500
Selling price (per unit)	₹ 170	₹ 80	₹ 50
Estimated Net Profit to Sales	-	30%	25%

The joint cost of manufacture upto separation point amounts to ₹ 2,50,000. Selling expenses amounting to ₹ 85,000 are to be apportioned to the three products in the ratio of quantity.

There is no opening and closing stock. Prepare the statement showing:

- (i) Allocation of joint cost.
- (ii) Product wise over all profitability and
- (iii) Advice the company regarding results if the by product 'P' is not further processed and is sold at the point of separation at ₹ 60 per unit without incurring selling expenses.

(10 Marks)