Q.P.Code: 29224

Duration: 2 Hours

Marks: 60

Note: 1. All questions are compulsory

2. Figures to right indicates marks

3. All working notes should form part of your answer

(1) Shree Ram Ltd. produces product AB which goes through two processes and after completion it is transferred to finished stock. The following data relates to March, 2017: (15)

Particulars	Process I (₹)	Process II (₹)	Finished Stock (₹)
Opening stock	15,000	18,000	45,000
Direct materials	30,000	31,500	
Direct wages	22,400	22,500	
Factory overheads	21,000	9,000	
Closing stock	7,400	9,000	22,500
Inter-process profit included in Opening Stock	-	3,000	16,500

Output of Process I is transferred to Process II at 25% profit on transfer price. Output of Process II is transferred to Finished Stock at 20% profit on the transfer price. Stocks in the process are valued at prime cost. Finished stock is valued at the price at which it is received from Process II. Sales during the period are ₹ 2,80,000.

Prepare Process Accounts and Finished Goods Account showing the profit element at each stage.

OR

(1) In the month of April, 2017 40,000 units were introduced in a process. The other process cost were – Direct Material – ₹ 6,04,000; Direct Wages – ₹ 4,14,000; Factory overheads – 50% of Direct Wages. The normal loss was estimated @ 10% on input. At the end of month 32,000 units were produced and transferred to next process. 5,000 units were scrapped (these units realized ₹ 10 per unit). 3,000 units were incomplete and stages of completion in respect of these units were estimated as: Materials – 75%, Labour – 50% and overheads – 50%.

Prepare: (Use FIFO method)

(a) Statement of Equivalent Units of Production

(b) Cost per Equivalent units

(c) Statement of Evaluation

(d) Process account

(15)

Turn Over

(2) Laxman & Company has 3 Production Department and 2 Service Department. The expenses of it are given below: (15)

Particulars	₹
Lighting and Heating	8,000
Consumable Stores	30,400
Power	18,000
Depreciation	60,000
Supervision	45,600
Rent and Rates	20,000
Insurance	4,000

The following additional information is made available to you:

Bases of Apportionment	Production Department			Service Department		
	P1	P2	P3	S1	S2	
Direct materials	35%	35%	10%	5%	15%	
Direct wages	35%	25%	25%	10%	5%	
Area (in square feet)	16 10,500	7,000	8,750	3,500	5,250	35000
Asset value	4,00,000	4,50,000	1,00,000	25,000	25,000	40
Horse power x machine hours	21,600	14,400	26,000	-	-	

Production departments have issued Service Department S1 in the ratio of 9:6:5 and Service Department S2 in the ratio of 2:3:1.

(a) Prepare the Primary Distribution Statement using the most appropriate basis for apportionment

(b) Prepare the Secondary Distribution Statement following direct distribution method

OR

(2) Bharat Limited is manufacturing company. The cost structure of its various products is as follows: (15)

Particulars	Product A ₹	Product B ₹	Product C ₹
Direct Materials per unit	100	80	80
Direct Wages @ ₹ 10/hour per unit	60	80	100
Production overheads per unit	60	80	100
Units produced	20,000	40,000	60,000

It absorbed Overheads on the basis of direct labour hours. The company has decided to introduce Activity Based Costing system and identified cost drivers and cost pools which are given below:

Turn Over

Activity cost pool	Cost driver	Associated cost (₹)
Stores	Purchase requisitions	5,92,000
Inspection	Number of production runs	16,88,000
Dispatch	Orders executed	4,20,000
Machine setup	Number of setups	24,00,000

The following other information is provided:

Particulars	Product A	Product B	Product C
Number of set ups	360	390	450
Number of orders executed	180	270	300
Number of production runs	750	1,050	1,200
Number of purchase requisitions	300	900	500

You are asked to calculate:

(a) Traditional production overheads

(b) Activity based production cost of all the three products

(c) Find out whether there is any under-costing or over-costing under traditional costing as compared to Activity Based Costing

(3) Ganesh Book Stores has 2 book selling outlets – Kailash Book Stores and Himalya Book store. The central office looks after advertising, marketing research, acquisition of books, legal services and other staff functions. The following particulars are provided: (15)

Particulars	Kailash Book Stores ₹	Himalya Book store ₹
Sales	35,00,000	35,00,000
Cost of goods	22,50,000	22,50,000
Gross Profit	12,50,000	12,50,000
Salaries and Wages	3,00,000	3,30,000
Supplies	2,25,000	2,25,000
Rent	4,00,000	2,00,000
Depreciation	70,000	80,000
Allocated Staff expenses	3,00,000	3,00,000

Each book store manager makes decisions that affect Salaries and Wages, Supplies and Depreciation. However rent is not in control of managers as location is not decided by managers. Supplies are variable cost, Variable Salaries and wages are equal to 8% of the cost of goods sold, balance of Salaries and Wages are fixed. Rent and Depreciation are fixed and Staff expenses are in proportion to Sales. 180000

Turn Over

You are required to:

(a) Prepare a performance report using Contribution approach

(b) Evaluate the Performance of each book store

(c) Evaluate the Performance of each manager

OR

(3) Mohan Ltd. produces two products, the cost information of it is as follows: (15)

Particulars (per unit)	Product A	Product B
Raw material usage	3.2 kgs.	3.2 kgs.
Machine hour: Machine 1	1.2 hours	0.5 hour
Machine 2	1 hour	1.10 hours
Target price (₹)	500	400

Total hours available – Machine 1 – 8,000 hours and Machine 2 – 9,000 hours

Raw material available is 26,000 Kgs. @ ₹ 25 per kg.

Variable Overheads per machine hours is Machine 1 – ₹ 160 and Machine 2 – ₹ 200.

You are required to find out which product will optimize the contribution at the offered price? If Company reduces the target price by 5% and offers ₹ 120 per hour of unutilized machine hour, what will be the total contribution of the product which optimized the contribution?

(4) (a) State whether following statements are True or False: (08)

i. Normal loss is treated as normal cost of production
ii. In computing a transfer price, the maximum price should be no higher than the highest market price at which the buying segment can obtain the goods or service externally
iii. Responsibility accounting focuses on people and not on things
iv. Responsibility accounting is also known as profitability accounting
v. Traditional costing systems are generally more accurate than Activity Based Costing
vi. Variable overhead varies with time
vii. Overhead absorption is the allotment of overhead to cost units
viii. Cash discounts are generally excluded completely from the costs

(4) (b) Match the following: (07)

Column A		Column B	
i.	Normal loss	i.	Number of dispatches 5
ii.	Material handling costs	ii.	Input x % of Normal loss 1
iii.	Electric lighting	iii.	Normal Output – Actual Output
iv.	Unit cost	iv.	Actual Output – Normal Output 6
v.	Dispatching costs	v.	Floor area occupied
vi.	Abnormal loss	vi.	Number of production runs 4
vii.	Cost of actual output	vii.	Number of Orders 2
		viii.	Normal cost/Normal output
		ix.	Unit cost x Units of actual output 7
		x.	Number of light points 3

OR

(4) Write Short notes on: (Any 3) (15)

a. Managerial report
b. Inflation accounting
c. Transfer pricing
d. Reciprocal method of cost allocation
e. Residual income approach
