**Cost and Management Accounting**

**December 2021 Examination**

**Q1. The following figures have been extracted from the books of Z Ltd. for the year ending 31st March 2020.**

**TABLE BELOW**

|  |  |
| --- | --- |
| **Direct wages** | **75,000** |
| **Indirect wages** | **10,000** |
| **Other direct expenses** | **15,000** |
| **Factory rent and rates** | **500** |
| **Office rent and rates** | **500** |
| **Indirect materials** | **500** |
| **Depreciation of plant** | **1,500** |
| **Depreciation of office furniture** | **100** |
| **Managing Director’s remuneration** | **12,000** |
| **General factory expenses** | **5,700** |
| **General office expenses** | **1,000** |
| **General selling expenses** | **1,000** |
| **Travelling expenses** | **1,100** |
| **Office salaries** | **4,500** |
| **Carriage outward** | **1,000** |
| **Advertisements** | **2,000** |
| **Sales** | **2,50,000** |

**From the above figures, calculate the following:**

**(a) Prime cost**

**(b) Works cost**

**(c) Cost of production**

**(d) Cost of sales**

**(e) Net profit (10 Marks)**

**Ans 1.**

**Introduction:**

Numerous additions to the overall price are shown on the cost sheet. The optimum selling price of a product may be determined using the product's cost sheet. It is possible to construct a value sheet using both historical and projected costs. A historical value sheet is produced based on the actual costs incurred for the product. Before the start of manufacturing, a fee estimate sheet is made based totally on the projected cost. All of the expenses related to a product or Its Half solved only

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**2. M Ltd. produced three chemicals during the month of October 2020 by three consecutive processes. In each process, 2% of the total weight put in is lost, and 10% of it is left as scrap, which from Processes I and II realizes Rs. 10 a ton and from Process III Rs. 20 per ton. The products of the three processes undertaken are as follows:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Process I** | | **Process II** | **Process III** |
| **Passed on to the Next Process** | **75%** | **50%** | **-** |
| **Transferred to Warehouse** | **25%** | **50%** | **100%** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Expenses Incurred** | **Qty** | **Rs.** | **Qty** | **Rs.** | **Qty** | **Rs.** |
| **Raw Materials** | **1000 tons** | **12,000** | **140 tons** | **2,800** | **1348 tons** | **10,784** |
| **Manufacturing Wages** | | **2,050** | **1,852** | | **1,500** | |
| **General Expenses** | | **1,030** | **724** | | **310** | |

**Prepare Process Cost Account showing the cost per ton of each product. (10 Marks)**

**Ans 2.**

**Introduction:**

In the manufacturing industry, using process costing estimates costs are often taken into account when units are usually mass-produced by one or more functions. It can be seen from the example of the production of erasers, food for consumption, or chemicals. It is relatively easy to estimate the cost of the technique itself in a system-based costing method (rather than a job-based method in which individual tasks are costed separately). The total cost of the method is then computed as the average of the costs associated with a certain number of units of mass. In order to assign a

**3.a. In process A, 1000 units of raw materials were introduced at the cost of Rs. 15,000. Direct wages amounted to Rs. 7,500 and manufacturing overheads to Rs. 5,000. 10% of the units trained are typically lost during manufacture, and these are sold @ Rs. 5 per unit. The actual output of the process was 940 units.**

**Prepare Process A Account and Abnormal Gain Account. (5 Marks)**

**Ans 3a.**

**Introduction:**

When an industrially made product is calculated using the process costing for production, it is possible to obtain an approximate cost of production. It is possible that a company's average costs maybe impacted by the varied kinds of products and services made and the great variety of services nonetheless in the process at some point in time for the show. In the interest of

**3.b. A single commodity with a marginal cost of Rs.0.75 per unit is manufactured by a company. Rs.12,000 are fixed expenses. The demand is such that it can exchange up to Rs.40,000 units at Rs.1.50 per unit, so all further purchases are to be done at Rs.1.00 per unit. A planned profit of Rs.20,000 is in operation. How many units must be made and sold? (5 Marks)**

**Ans 3b.**

**Introduction:**

To optimize production and routine activities, an employer should determine the size at which economies of scale may be realized. Making or manufacturing an additional superior unit results in an exchange of fundamental manufacturing costs, referred to as the marginal cost of