**Cost and Management Accounting**

**April 2022 Examination**

**Q1. N Limited undertook a contract for Rs. 5,00,000 on 1st April 2020. On 31st March 2021 when the accounts were closed, the following details about the contract were gathered:**

**Materials purchased 1, 00,000**

**Wages paid 45,000**

**General expenses 10,000**

**Plant purchased 50,000**

**Materials in hand 31.3.2021 25,000**

**Wages accrued 31.3.2021 5,000**

**Work certified 2, 00,000**

**Cash received 1, 50,000**

**Work uncertified 15,000**

**Depreciation of plant 5,000**

**The contract contained an escalation clause which read as “In the event of increase(s) of prices of materials and rates of wages by more than 5%, the contract price would be increased accordingly by 25% of the rise of the cost of materials and wages beyond 5% in each case”. It was found that since the date of signing the agreement, the prices of materials and wage rates increased by 25%. The value of the work certified does not consider the effect of the above clause.**

**Prepare the contact account.**

**Ans 1.**

**Introduction:**

Contract costing is a methodology used to decide the price of a specific order. This is relatively large and is likely to be continued for more than a year. It is majorly utilized by the contractors in costing contracts related to the construction of buildings, roads, dams, and so on.

**Concept and application:**

When determining the value of a particular order, two costing techniques may be used:

1. Job costing

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**Q2. Prepare the Stock Ledger using “Weighed Average” method of valuing the issues from the following details of stores receipts and issues of material in a manufacturing unit:**

**TABLE BELOW**

**Nov. 1 Opening Stock 2,000 units @ Rs. 5 each**

**Nov. 3 Issued 1,500 units to Production.**

**Nov. 4 Received 4,500 units @ Rs. 6.00 each.**

**Nov. 8 Issued 1,600 units to Production**

**Nov. 9 Returned to stores 100 units by Production Department (from the issues**

**of November 3)**

**Nov. 16 Received 2,400 units @ Rs. 6.50 each.**

**Nov. 19 Returned to the supplier 200 unit out of the quantity received on**

**November, 4**

**Nov. 20 Received 1,000 units @ Rs. 7.00 each.**

**Nov. 24 Issued to Production 2,100 units.**

**Nov. 27 Received 1,200 units @ Rs. 7.50 each**

**Nov. 29 Issued to Production 2,800 units (use rates upto two decimal places).**

**Ans 2.**

**Introduction:**

Direct cloth is an essential component of the production procedure. It influences the final pricing of the product and the relevant net income/losses. For that reason, the proper management of this cost detail is essential to establish the production manner's 3Es (efficiency, economy, and effectiveness). Proper recording and control of fabric may also affect the following:

a. Quality of finished goods

**Q.3 (a) Opening stock of work- in-progress 4,000 units 40% complete.**

**Units completed: 32,000**

**Units put into process: 30,000**

**Closing stock of work- in-progress 2,000 units, 60% complete.**

**Calculate equivalent production. (5 Marks)**

**Ans 3a.**

**Introduction:**

Equivalent production devices convert incomplete production gadgets into completed manufacturing units. In procedure industries, the typical cost according to the unit may be determined by dividing the overall cost of gadgets by the full range of units. But, it could now not be viable in method industries with a non-stop manufacturing procedure. The price incurred in such industries unfolds over the hole WIP, finished devices, and remaining WIP. For this

**3.b. JK Ltd. produces four products in a manufacturing process. The Company produced 10,000 units of A, 20,000 units of B, 15,000 units of C and 25,000 units of D. The costs before split off point for the four products were Rs. 1, 40,000. Using the average unit cost method**

**(a) Calculate the unit cost, and**

**(b) How, the joint cost would be apportioned amount the products. (5 Marks)**

**Ans 3b.**

**Introduction:**

**Joint products:** Joint products imply two or greater products that are similarly critical and produced because of a single system. These products have the exact enormous cost, and none may be treated as an by-product or inferior to any other. For instance, while processing the crude in the oil enterprise, fuel, petroleum, paraffin, tar, etc. They are then produced treated as joint