**Cost Accounting**

**September 2022 Examination**

**Q1. You are required to 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:**

|  |  |
| --- | --- |
| **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).** |

**(10 Marks)**

**Ans 1.**

**Introduction**

A Stock Ledger Report is a thorough document that tracks stock transactions for a business. The Stock Ledger records all internal and external transactions pertaining to manufacturing, buying, selling, and stock transfers, which are then reflected in the Stock Ledger Report. Along with the stock item and associated warehouse information, it represents the quantity and value of stock that was issued, received, or transferred.

When the Perpetual Inventory system is activated, it can be consulted because this report shows the history of all your stock transactions. It gives a more detailed account of the stock

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**Q2. On 1st April 2021 Y Ltd. undertook a contract for Rs. 10,00,000. On 31st March 2022 when the accounts were closed, the following details about the contract were gathered:**

**CHECK BELOW**

|  |  |
| --- | --- |
| **Materials purchased Wages paid** | **2,00,000** |
| **General expenses** | **90,000** |
| **Plant purchased** | **20,000** |
| **Materials in hand 31.3.2022** | **1,00,000** |
| **Wages accrued 31.3.2022** | **10,000** |
| **Work certified** | **4,00, 000** |
| **Cash received** | **3,00,000** |
| **Work uncertified** | **30,000** |
| **Depreciation of plant** | **10,000** |

**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. (10 Marks);**

**Ans 2.**

**Introduction**

Escalation provisions, which permit the agreed-upon price to be raised in the case of a future increase in the cost of commodities or labour, are typically included in long-term contracts. The contractor will be given this assurance that the contract price will be suitably enhanced in the following circumstances:

(i)When it is expected that, at some point in the future, the market price of the materials used for the contract work will increase.

(ii)When the amount of materials used for the contract is anticipated to be greater than the

**Q 3a. Joe Corporation produces four products in a manufacturing process. The Company produced 20,000 units of A, 40,000 units of B, 30,000 units of C and 50,000 units of D. The costs before split off point for the four products were Rs. 2,80,000. 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 3a.**

**Introduction**

Method of Average Unit Cost The average unit cost, which is determined by dividing the entire joint cost by the total number of units produced for all the goods, is used in this technique to allocate the joint cost. The average unit cost is the same for each product**.** The term "joint products" refers to goods produced simultaneously by the same industrial process. They will have undifferentiated shared expenses to produce and cannot be generated independently. Sum

**Q3b. Calculate equivalent production from the following details:**

**Opening stock of work- in-progress 8,000 units 40% complete.**

**Units completed: 64,000**

**Units put into process: 60,000**

**Closing stock of work- in-progress 4,000 units, 60% complete. (5 Marks)**

**Ans 3b.**

**Introduction**

A cost accounting concept called equivalent units is applied in process costing to calculate costs. It is irrelevant from an operational standpoint and is only useful for process costing as far as cost derivation goes.

In cost accounting, equivalent units are the units that are being produced times the proportion of those that are finished (100%) or still being worked on. Everything is covered there.