**Cost Accounting**

**December 2022 Examination**

**Q1. Following is the information provided for Apex Ltd. for the month of October 2021:**

**The company produced three chemicals by three consecutive processes namely Process I, II and III. 2% of the total weight put in is lost in each process and 10% of it is left as scrap which from Processes I and II realises 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** | **500****tons** | **6,000** | **70 tons** | **1,400** | **674****tons** | **5,392** |
| **Manufacturing Wages** |  | **1,025** |  | **926** |  | **750** |
| **General Expenses** |  | **515** |  | **362** |  | **250** |

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

**Ans 1.**

**Introduction**

A process account is an account created to calculate the cost of a specific process. In the debit side of the process account, we show the material cost, labor cost, and overhead cost. Its total will be passed on to the next process. If there is a last process, the total debit side total of the last process account will be transferred to the finished stock account.

Process costing is a costing method commonly used in manufacturing where units are continuously mass-produced via one or more processes. Manufacturing of erasers, chemicals, or

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**2. Following is the information provided for Inox Ltd. for the year ending 31st March 2022.**

|  |  |
| --- | --- |
| **Direct materials** | **35,000** |
| **Direct wages** | **37,500** |
| **Indirect wages** | **5,000** |
| **Other direct expenses** | **7,500** |
| **Factory rent and rates** | **250** |
| **Office rent and rates** | **250** |
| **Indirect materials** | **250** |
| **Depreciation of plant** | **750** |
| **Depreciation of office furniture** | **50** |
| **Managing Director’s remuneration** | **6,000** |
| **General factory expenses** | **2,850** |

|  |  |  |
| --- | --- | --- |
| **General office expenses** | **500** |  |
| **General selling expenses** | **500** |
| **Travelling expenses** | **550** |
| **Office salaries** | **2,250** |
| **Carriage outward** | **500** |
| **Advertisements** | **1,000** |
| **Sales** | **1,25,000** |
| **Prepare a Cost Sheet from the above figures.** |  | **(10 Marks)** |

**Ans 2.**

**Introduction**

A cost sheet is a statement that shows the various components of a product's total cost as well as previous data for comparison. Based on the cost sheet, you can calculate the ideal selling price of a product.

A cost sheet document can be created using either historical costs or estimated costs. A historical cost sheet is created using the actual cost of a product. An estimated cost sheet, on the other

**Q3a. From the following information compute the economic batch quantity: Annual demand for th component 12,000**

**Set-up cost per batch Rs.120**

**Carrying cost per unit of production is Rs.0.36. (5 Marks)**

**Ans 3a.**

**Introduction**

It is the responsibility of the production managers to determine how much output should be produced. It can be produced in batches, lots, on an order basis, or in any other way that is appropriate.

If the products are made in lots/batches, the quantity manufactured is frequently greater than

**Q3. b. A single commodity with a marginal cost of Rs.0.75 per unit is manufactured by a company. Rs.6,000 are fixed expenses. The demand is such that it can exchange up to Rs.20,000 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.10,000 is in operation. How many units must be made and sold? (5 Marks)**

**Ans 3b.**

**Introduction**

The contribution margin can be expressed in either gross or per-unit terms. After deducting the variable portion of the firm's costs, it represents the incremental money generated for each product/unit sold.

The contribution margin is calculated by subtracting the selling price per unit from the variable