**Cost Accounting**

**April 2023 Examination**

**Q1. From the following details of stores receipts and issues of material in a manufacturing unit, you are required to prepare the Stock Ledger for the month of November 2021 using “Weighed Average” method of valuing the issues:**

**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).** |

**(10 Marks)**

**Ans 1.**

**Introduction**

The weighted average technique may be defined as an inventory valuation method that considers the weighted average of stock for calculating the amount of merchandise and value of goods sold.

The weighted average method is a lovely way to evaluate existing inventory. However, there are extra accurate strategies for our commercial enterprise. We want to identify the other strategies for monitoring and valuing stock before we can make nil down at the weighted average system. We want to weigh the advantages and disadvantages of every to decide which technique does the

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

|  |  |
| --- | --- |
| **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**

When a contractor has established a settlement, a separate account is initiated for each contract, bringing together all the prices referring to a specific contract, referred to as a contract account.

All of the expenses incurred in gratifying an agreement, consisting of wages, materials, cost of sub-contracts, direct expenses, and indirect fees, are debited to a contract account.

Similarly, fees accrued or excellent on the agreement at the end of the financial period also

**Q3a. Ether 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.**

**(a)**

**Introduction**

A unit fee may be described as a complete expenditure by an organization to manufacture, store and promote one unit of selected products or services. Unit prices or charges are synonymous with the price of goods offered, referred to as COGS.

This accounting approach includes all of the variable and fixed costs associated with

**(b).**

**Introduction**

Joined price can be defined as the cost that adds value to extra than a single process of the company. It is incurred while waiting for financial benefits/ value addition in more than a single process/ product. The intake of the resources initiates producing financial benefits for

**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**

Equivalent units can be described as whole notional devices representing completed work. Equivalent manufacturing represents a method through which incomplete units are expressed as finished devices.

Equivalent production usually represents the production of a method in terms of completed