**Cost and Management Accounting**

**September 2023 Examination**

**1. The two major methods of costing are product costing and service costing. These two terms can be used interchangeably, but product costing is more often used in the business world. Service cost-accounting, on the other hand, is more common in the nonprofit world.**

**Discuss any four points of difference between Service costing and Product Costing.**

**Share one example from the business world about any specific industry or Company using service costing or product costing**

**Ans:**

**Introduction:**

Costing is crucial in business and nonprofits businesses, with product and service costing being the primary strategy. Even as those phrases are sometimes used interchangeably, they are significant variations. Product costing primarily applies to the business world, where tangible items are produced, while provider costing is commonly used in the nonprofits area, which focuses on providing intangible services.

**Product Costing:** Product costing is a way corporations determine the price of manufacturing or tangible goods. It involves allocating fees to character product devices, enabling the corporation to calculate the value of products sold, compare profitability, and

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**2. Calculate the following components from the given data for the yearly production**

**Prime Cost**

**Work cost**

**Cost of Production**

**Cost of sales**

**Selling Value**

**(5 marks for 5 components plus 1 mark for correct statement of cost)**

**Number of units produced per month 1500**

**Cost of raw material consumed per month 36000**

**Labor**

 **cost incurred on a monthly basis 9000**

**Factory overhead incurred per month 54000**

**Office overhead per month 45000**

**Selling expenses paid per month 72000**

**Rate of profit 20% on the selling value**

**Discuss and define the following related terms – cost head - 4 marks**

**• Prime cost**

**• Cost of Production**

**• Cost of Goods Sold**

**• Cost of sales**

**Ans:**

**Introduction:**

To calculate the components, we'll use the given monthly data and multiply it by 12 to obtain yearly values.

**1. Prime Cost:**

Prime cost refers to the direct costs incurred in the production of goods. It includes the cost of raw materials and direct labor.

Prime Cost = Cost of Raw Material Consumed + Labor Cost Incurred

Given data:

Cost of raw material consumed per month = 36,000

**3. Following is the cost for 500 units of bottles manufactured per month.**

|  |  |
| --- | --- |
| **Material**  | **4500**  |
| **Labor**  | **1500**  |
| **overheads**  | **500**  |
| **Normal waste in the process is 13% of the input** **a. Prepare process account. (5 Marks)** **(2 marks for identifying the final products manufactured and their total price +1 mark for identifying normal loss +2 marks for preparing the account)** |

**Ans:**

A process account, a production or manufacturing account is a financial declaration used to track the prices incurred and output produced during a manufacturing technique. It enables corporations to examine the costs at each production level and the efficiency of their manufacturing operations.

Elaborating on the concept of a method account, right here are a few key points to remember:

**b. Discuss any three components identified in this process account. Also, calculate the cost per unit (3+2marks)**

**Ans:**

In the given situation, the technique account for manufacturing 500 units of bottles in line with the month and includes diverse components. Let's discuss three details recognized on this process account:

**1. Material:** The value of materials is an essential thing in a manufacturing manner. In this example, the fabric price is noted as 4500 units. This fee represents the costs incurred in