DATE: 20.09.2018

(ALL BATCHES) MAXIMUM MARKS: 100

TIMING: 3¼Hours

PAPER 3 : COST ACCOUNTING

Answer to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium. His/her answer in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any Four questions from the remaining Five Questions.

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Wherever necessary, suitable assumptions may be made and disclosed by way of note.



INTERMEDIATE – MOCK TEST

Particulars	Costperann um Rs.	Costpermon th Rs.	
Fixed expenses:			1000
Insurance	15,000		
Garage rent	9,000		
Road tax	3,000		
Administrative charges	5,000		
Depreciation	78,000		
Interest on loan	10,000		2M
	1,20,000	10,000	
Running expenses:			
Repair and maintenance	15,000	1,250	
Replacement of tyre-tube	3,600	300	
Diesel and oil cost (9,000 km \times Rs. 5)	-	45,000	
Driver and conductor's salary		5,000	
Total cost (per month)		61,550.00	
Add: Profit 20% of total revenue cost or 25% of total cost		15,387.50	
Total revenue	4	76,937.50)

Rate per passenger-km Rs. 76,937.50/1,80,000 passenger km = 0.42743 i.e., = 0.43 i.e., 43 paise

(c) (1) Comparative Profitability Statements

Particulars	Process- A	Process- B
	(Rs.)	(Rs.)
Selling Price per unit	20.00	20.00
Less: Variable Cost per unit	12.00	14.00
Contribution per unit	8.00	6.00
Total Contribution	32,00,000	24,00,0 <mark>00</mark>
	(Rs. 8 ×4,00,000)	(Rs. 6 ×4,00,000)
Less: Total fixed costs	30,00,000	21,00,000
Profit	2,00,000	3,00,000
*Capacity (units)	4,30,000	5,00,000
Total Contribution at full capacity	34,40,000	30,00,000
	(Rs. 8 ×4,30,000)	(Rs. 6 ×5,00,000)
Fixed Cost	30,00,000	21,00,000
Profit	4,40,000	9,00,000

Process- B should be chosen as it gives more profit as compared to Process-A.

3M

1½M

(2)

Particulars	Process- A (Rs.)	Process- B	
		(Rs.)	
*Capacity (units)	6,00,000	5,00,000	
Total contribution	48,00,000	30,00,000	21
	(Rs. 8 ×6,00,000)	(Rs. 6 ×5,00,000)	
Fixed Cost	30,00,000	21,00,000	
Profit	18,00,000	9,00,000	

If the capacity of the Process A and B is 6,00,000 units and 5,00,000 units respectively then Process-A is giving double profit than Process C. Thus Process A be chosen.

*Note: It is assumed that capacity produced equals sales

(d) Statement of cost per batch and perorder

No. of batch = 600 units \div 50 units = 12 batches

	Particulars	Cost perbatch (Rs.)	TotalCost (Rs.)
	Direct Material Cost	5,000.00	60,000
	Direct Wages	500.00	6,000
	Oven set-up cost	750.00	9,000
	<i>Add:</i> Production Overheads (20% of Direct wages)	100.00	1,200
	Total Production cost	6,350.00	76,200
	<i>Add:</i> S&D and Administration overheads (10% of Total production cost)	635.00	7,620
	Total Cost	6,985.00	3,820
	Add: Profit (1/3 rd of total cost)	2,328.33	27,940
(i)	Sales price	1M}9,313.33	1,11,760
	No. of units in batch	50 units	
(ii)	Cost per unit (Rs.6,985 ÷ 50 units)	139.70	
	Selling price per unit (9,313.33 ÷ 50 units)	1M} 186.27	

{1M

(iii) Iftheorderisfor605cakes,thensellingpricepercakewouldbeasbelow:

Particulars	Total Cost
	(Rs.)
Direct Material Cost	60,500
Direct Wages	6,050
Oven set-up cost	9,750
Add: Production Overheads (20% of Direct wages)	1,210
Total Production cost	77,510

INTERMEDIATE – MOCK TEST

Add: S&D and Administration overheads (10% of Total production cost)	7,751
Total Cost	85,261
<i>Add:</i> Profit (1/3 rd of total cost)	28,420
Sales price	1,13,681
No. of units	605 units
Selling price per unit (Rs.1,13,681 ÷ 605 units)	187.90

Answer: 2

be charged.

(a) Calculation of cost and amount chargeable by the Contractor

	Parti culars	Veg.	Non-Veg	
	No of Meals per Day	180	120	
	No of Meals per Month	$180 \times 25 = 4,500$	120×25 = 3,000	
-	Variable Cost:	Rs.	Rs.	
	Cereals	8 per plate	-	1000
	Veg items	5 per plate		
	Cooking Oil	4 per plate		
	Spices	<u>1 per plate</u>		
	Total Variable Cost	$18 \times 7500 (4500 + 3000)$	1,35,000	
	Additional variable cost of Non-veg	15 × 3000	<u>45,000</u>	
	meal		1 00 000	> 5101
	Total Variable Cost		1,80,000	
	Fixed Cost:	13 000		
	Salary of Holpors (7,000 x 3)	21,000		
		21,000	36,000	
	Total Cost	2,000	2 16 000	
	Profit 20% on his takings or 25%		54,000	1 200
	on Cost	FRCF CLASS	FS	
	Total amounts chargeable by the		2,70,000	
	Contractor	Same		/
	(i) No. of Non-Veg Meals 3,000	CUCCOSS		
	Equivalent No. of Veg Meals =	$3,000 \times 1.5 = 4,500$		
	No. of Non Veg Meals	= <u>4,500</u>		
	Total	<u>9,000</u>	> 2.5M	
	Price per Veg Meal = $\frac{\text{Rs.2,70,}}{\text{Rs.9,00}}$	$\frac{000}{00}$ = Rs. 30		
	Price per Non Veg. Meal = Rs.	30 × 1.5 = Rs. 45/-)	
	(ii) Price per meal when a worker	will have to pay		7
	Veg meal Rs. 30 – Subsidy (60)% of Rs. 30)		
	= Rs. 30 - Rs. 27 = Rs. 12/-			
	Non-Veg Meal Rs. 45 – Subsid	v (60% of Rs. 45)		
	R_{S} 45 - R_{S} 27 = R_{S} 18/-	, (> 2.
	Note: Cost of Veg and non-veg meal	calculated separately and th	en profit of 20% o	n
	overall takings and 25% profit on over	erall Cost is added to determi	ine the total price to	0

2.5M

INTERMEDIATE – MOCK TEST

3M

2M

(b) **Step 1**: Let X be the cost of material and Y be the normal rate of wages per hour. Step 2 :Factory Cost of Workman 'A'

	(Rs.)	
A. Material Cost	X	
B. Wages	30 Y	
C. Bonus = $\frac{30}{50} \times (50 - 30) \times Y$	12 Y	7
D. Overheads (30 Rs.5)	150	
E. Factory Cost	3,490	
$Or_{11} X + 42 Y = Rs_{13}.490 (Given) - Rs_{150} = Rs_{13}.340$	tion (i)	

Step 3 : Factory Cost of Workman 'B'



Step 4:Subtracting equation (i) from equation (ii) 3Y = Rs.60

- Y = Rs. 60/3 = Rs. 20 per hour.
- (a) The normal rate of wages: Rs. 20 perhour
- (b) The cost of material: X + 45 × Rs.20 = Rs.3,400or, MMERLE

X=Rs.3,400-Rs.900=Rs.2,500

(c) ComparativeStatementoftheFactoryCostoftheproductmadebythetwo workmen.

	`A'(Rs.)	`B'(Rs.) -	
Material cost	2,500	2,500	
Direct Wages	600	800	
	(30 ×Rs.20)	(40 × Rs. 20)	
Bonus	240	100	2M
	(12 × Rs.20)	(5 × Rs.20)	(
Factory Overhead	150	200	- 12
Factory Cost	3,490	3,600	

Answer: 3

(a) Workings:

Monthly Production of X = 30,000 kgs. Raw Material Required = $\frac{30,000}{3} \times 5 = 50,000$ kgs. Μ

laterial A =
$$\frac{50,000}{5} \times 3 = 30,000$$
 kg.

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(*Since, production is processed evenly throughout the month hence material consumption will also be even.)

INTERMEDIATE – MOCK TEST

(iii) Calculation of Savings/ loss in Material A if purchase quantity equals to EOQ.

	Purchase Quantity = 8,000 kg.	Purchase Quantity = EOQ i.e. 6,197 kg.	
Annual consumption	3,60,000 kg. (30,000 × 12 months)	3,60,000 kg. (30,000 × 12 months)	
No. of orders [Note- (i)]	60 (3,60,000 ÷ 6,000)	60 (3,60,000 ÷ 6,000)	
Ordering Cost (a)	Rs.7,200 (Rs.120 × 60)	Rs.7,200 (Rs.120 × 60)	204
Carrying Cost (b) [Note- (ii)]	Rs.8,100 (15% of Rs.13.50 × 4,000)	→ 2M Rs.6,972 (15% of Rs.15 × 3,098.5)	
Purchase Cost (c) (for good portion)	Rs.48,60,000 (Rs.13.50 × 3,60,000)	Rs.54,00,0 <mark>00</mark> (Rs.15 × 3,60,000)	
Loss due to obsolescence (d) [Note- (iii)]	Rs.16,20,000 [Rs.13.5 × (60 × 2,000)]	Rs.1,77,300 [Rs.15 × (60 × 197)]	
Total Cost [(a) + (b) + (c) + (d)]	Rs. 64,95,300	Rs. 55,91,472	
If purchase quantity equ	als to EOO, there will be a	a saving of Rs. 9,03,828 i.e	.)

Rs. 64,95,300 - Rs. 55,91,472. Notes: (i) As after 5 days of purchase the Material A gets obsolete, the

quantity in excess of 5 days consumption i.e. 6,000 kg. are wasted. 1M Hence,after 6,000 kg.a fresh order needs to be given.

- (ii) Carrying cost is incur<mark>red</mark> on average stock of Materials purchased.
- (iii) the excess quantity of material gets obsolete and loss has to be incurred.

Answer: 3

(b) (i)

Calculation of Absolute Ton-km for the next month:]

Journey	Distanc e in km	Weight - Up(in MT)	Ton-km	Weight- Down (in MT)	Ton-km	Total
	(a)	(b)	(c) = (a)×(b)	(d)	(e)= (a)×(d)	(c)+(e)
Delhi to Kochi	2,700	14	37,800	6	16,200	54,000
Delhi to Guwahati	1,890	12	22,680	0	0	22,680
Delhi to Vijayawada	1,840	15	27,600	0	0	27,600
Delhi to Varanasi	815	10	8,150	0	0	8,150
Delhi to Asansol	1,280	12	15,360	4	5,120	20,480
Delhi to Chennai	2,185	10	21,850	8	17,480	39,330
Total	10,710	73	1,33,440	18	38,800	1,72,240

Total Ton-Km = 1,72,240 ton-km

INTERMEDIATE – MOCK TEST

(ii) <u>Calculation of cost per ton-km</u>:

calculation of cost per ton kinn		۰ <i>۲</i>	
Particulars	Amount (Rs.)	Amount (Rs.)	
A. Running cost:			
- Diesel Cost {Rs.13.75 × (10,710 × 2)}	2,94,525.00		
- Engine Oil Cost $\left(\frac{\text{Rs.4, 200}}{13,000 \text{ km}} \times 21,420 \text{ km}\right)$	6,920.31		
- Cost of loading of goods {Rs.150 × (73+18)}	13,650.00	and the second second	
- Depreciation (Rs.20,00,000 × 21,420 km)	59,500.00	3,74,595.31	
(7,20,000 km /)			51
B. Repairs & Maintenance Cost		25,704	\int
$\left(\frac{\text{Rs.12,000}}{10,000 \text{km}} \times 21,420 \text{km}\right)$			
C. Standing Charges			
- Drivers' salary (Rs.18,000 × 4 trucks)	72,000		
- Cleaners' salary (Rs.7,500 × 4 trucks)	30,000		
- Supervision and other general exp.	12,000	1,14, <mark>000</mark>	
Total Cost (A + B + C)	<u></u>	5,14,299. <mark>31</mark>	
Total ton-km		1,72,24<mark>0 1</mark>	
Cost per ton-km		2.99	/

Answer: 4

(a)

			1
		Rs.	/
Sales 50,000 units at Rs. 7		3,50,000	
Variable cost 50,000 × 3		1,50,000	
Contribution 50,000 × 4		<mark>2,00,</mark> 000	
Fixed costs	- <u></u>	1,20,000	
Profit	CE CL	80,000	} 1½M
ratio = $\frac{S - V}{S} \times 100 = \frac{7 - 3}{7} \times 100 = \frac{4}{7} \Rightarrow$	× 100 = 57.14%	600E0	
(units) = $\frac{1,20}{\text{contribution per unit}} = \frac{1,20}{2}$	$\frac{000}{4} = 30,000$	units.	
(Value) = 30,000 Units × 7 = Rs. 2,10,	000		
it Rs. 80,000 (as calculated above)]
with a 10% increase in output & sales i.	e., 50,000+ 5,	000 = 55,000	units
Contribution 55,000 × Rs. 4 per unit	Rs. 2,20,00	00	
Fixed costs	Rs. 1,20,00	00	> 1½M
Profit	Rs. 1,00,00	0	
with a 10% increase in FixedCost		_	_
Contribution (EQ 000 y Do 4 por unit)	Do 2.00.00		
Contribution (50,000 × RS. 4 per unit)	RS. 2,00,00		
Fixed cost (1,20,000+ 12,000)	Rs. 1,32,00	0 > 1½M	
Profit	Rs. 68,00	00	
	Sales 50,000 units at Rs. 7 Variable cost 50,000 × 3 Contribution 50,000 × 4 Fixed costs Profit ratio = $\frac{S - V}{S} \times 100 = \frac{7 - 3}{7} \times 100 = \frac{4}{7} \times 100$ (units) = $\frac{F}{CONTRIBUTION PERTUNIT} = \frac{1,20}{7}$ (Value) = 30,000 Units × 7 = Rs. 2,10, it Rs. 80,000 (as calculated above) with a 10% increase in output & sales i. Contribution 55,000 × Rs. 4 per unit Fixed costs Profit with a 10% increase in FixedCost Contribution (50,000 × Rs. 4 per unit) Fixed cost (1,20,000 + 12,000) Profit	Sales 50,000 units at Rs. 7 Variable cost 50,000 × 3 Contribution 50,000 × 4 Fixed costs Profit ratio = $\frac{S - V}{S} \times 100 = \frac{7 - 3}{7} \times 100 = \frac{4}{7} \times 100 = 57.14\%$ (units) = $\frac{F}{contribution per unit} = \frac{1,20,000}{4} = 30,000$ (Value) = 30,000 Units × 7 = Rs. 2,10,000 it Rs. 80,000 (as calculated above) with a 10% increase in output & sales i.e., 50,000 + 5,000 Fixed costs Rs. 1,20,000 Profit Rs. 1,00,000 With a 10% increase in FixedCost Rs. 1,00,000 With a 10% increase in FixedCost Rs. 1,32,000 Profit Rs. 2,200,000 Profit Rs. 2,00,000 With a 10% increase in FixedCost Rs. 1,20,000 Profit Rs. 1,20,000 Profit Rs. 68,000	Rs. Sales 50,000 units at Rs. 7 3,50,000 Variable cost 50,000 × 3 1,50,000 Contribution 50,000 × 4 2,00,000 Fixed costs 1,20,000 Profit 80,000 ratio = $\frac{S - V}{S} \times 100 = \frac{7 - 3}{7} \times 100 = \frac{4}{7} \times 100 = 57.14\%$ (units) = $\frac{F}{\text{contribution per unit}} = \frac{1,20,000}{4} = 30,000$ units. (Value) = 30,000 Units × 7 = Rs. 2,10,000 it Rs. 80,000 (as calculated above) with a 10% increase in output & sales i.e., 50,000+ 5,000 = 55,0000 Fixed costs Rs. 1,20,000 Profit Rs. 1,20,000 with a 10% increase in FixedCost 11/2M Contribution (50,000 × Rs. 4 per unit) Rs. 2,00,000 Fixed cost (1,20,000+ 12,000) Rs. 1,32,000 Profit Rs. 68,000

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(iv) with a 10% increase in variablecosts

Selling price per unit	7.00	
Less: variable cost (3+0.30)	3.30	
Contribution per unit	3.70	
Total contribution 50,000 × 3.70	1,85,000	1½M
Fixed costs	1,20,000	
Profit	65,000	J

(v) with a 10% increase in sellingprice

Selling price per unit (7.00+0.70)	7.70	
Variable cost per unit	3.00	
Contribution per unit	4.70	
Total contribution 50,000 × Rs. 4.70	2,35,000	► 1½M
Fixed costs	1,20,000	199
Profit	1,15,000	

(vi) Effect of all the four above:-___

Sales 55,000 × Rs. 7.70 per unit	Rs. 4,2 <mark>3,50</mark> 0	
Variable cost 55,000 × 3.3 <mark>0</mark>	Rs. 1,81,500	
Contribution 55,000 × 4.40	Rs. 2,42 <mark>,00</mark> 0	≥ 2½M
Fixed cost 1,20,000+ 12,000	Rs. 1,32,000	
Profit	Rs. 1,10,000)

Note: It is assumed that the increased output of 55,000 units has been sold.

Door to Success

Answer (4) (b) WorkingNotes:-

Standard Costs

	Rs.	
Direct materials (6,000 \times Rs. 12)	72,000	Contraction of the local division of the loc
Direct labour (6,000 \times Rs. 4.40)	26,400	> 1½M
Variable overheads $(6,000 \times \text{Rs. 3})$	18,000	
Total	1,16, <mark>400</mark>	J
Actual Cost	-	
Direct Materials (12,670 × 5.70)	72,219	
Direct wages	27,950	
Variable overhead incurred	20,475	► 1½M
Total	1,20,644	
Total Variance = SC- $AC = 1,16,400 - 1,20,644 = Rs.$	4,244 (A)	J

Missing Figures

 Actual Direct Labour Hours(DLH) We can find out this through Variable overhead efficiency variance of Rs. 1,500 adverse VOH Efficiency Variance= SR (SH – AH)

1,500 A	-	3(6,000 – AH)		
-1,500	=	18,000 – 3 AH		11/ N/
3AH	=	18,000 + 1,500 = 19,500	ſ	1/210
AH = 19,500/3	=	6,500 Actual Hours i.e. Actual DLH.		

2. Actual Labour Rate per hour = $\frac{\text{Rs. 27,950}}{6,500 \text{ DLH}}$ = Rs. 4.30

Relevant Variances:

	1	Material Variances:		
		(a) MCV = SC - AC = 72,000 - 72,219=	Rs. 2 <mark>19 (A)</mark>	
		(b) MPV = AQ (SR - AR) = 12,670 (6 - 5.70)=	Rs. 3,80 <mark>1 (F)</mark>	1%M
c.		or = 19,000 (6 – 5.70)=	Rs. 5,700(F)	1/2101
0		(c) MUV = SR (SQ - AQ) = 6 (6,000 \times 2 -12,670)		
	N	= 6 (12,000 - 12,670) =	Rs. 4,020 (A)	
	2.	Labour Variances:		
		(a) LCV = SC - AC = 26,400 - 27,950=	Rs. 1,550 (A)	
-		(b) LRV = AHP (SR – AR) = 6,500 (4.40 – 4.30)=	Rs. 650 (F)	≻ 1½M
		(c) LEV = SR (SH - AHP) = 4.40 (6,000 - 6,500)=	Rs. 2,200 (A)	
	3.	Variable Overhead V <mark>ariances : (Ou</mark> tput Ba <mark>sis)</mark>	L L)
		(a) VOH Variance = SVO - AVO= 18,000 -20,475	Rs. 2,475 (A)	201
K		(b) Efficiency Variance = SR (SQ – AQ) (Note1)	S	
		= 3 (6,500 - 6,000) =	Rs. 1,500 (A <mark>)</mark>	2 1½M
		(c) Expenditure Variance = (SVOSP – AVO) (Note2)		
		= (19,500 - 20,475) =	Rs. 97 <mark>5 (A)</mark>)
			/	

Note :

- 1. One unit of production in one hour. For 6,500 DLH, 6,500 units should have been produced
 - (SQ).ButAQ=6,000units.i.e.lessthanSQ.Hence,itisadversevarianceofRs.1,500.
- 2. StandardVariableOverheadonStandardProduction=6,500×3=Rs.19,500

INTERMEDIATE – MOCK TEST

Answer: 5

(a) WorkingNotes:

(i) Computation of Allocation Ratio for JointCosts

	Products			
	X Rs.	Y Rs.	Z. Rs.	
Selling Price	13.75	8.75	7.50	
<i>Less:</i> Anticipated margin@ 25% on cost or 20% on sales	2.75	1.75	1.50	
Cost of sales	11.00	7.00	6.00	
Less: Post split off cost	5.00	4.00	2.50	
Joint cost per unit	6.00	3.0 <mark>0</mark>	3.50	
Output (units)	8,000	6,000	4,000	
Total output cost	48,000	18,000	14,000	
Allocation ratio for joint costs	24	9	7	

(ii) Computation of net allocable joint costs

		-	>
	Rs.	Rs.	
Joint input cost including material cost	14	90,80 <mark>0</mark>	
<i>Less</i> : Credit for realization from by-product B: Sales revenue $(1,000 \times \text{Re}, 1)$	1,000		> 2M
Less: profit @ 25% on cost or 20% on sales	200	800	
Net joint costs to be allocated		90,000	
Determination of joint cost per unit of eac	ch product		

Product	Net joint costs allocation Rs.	Output(units) Rs.	Joint cost perunit Rs.
Х	54,000 (Note : 1)	8,000	6.75
Y	20,250	6,000	3.38
Z	15,750	4,000	3.94
	90,000		

Profit margin available on each product as a percentage on cost

Product	Joint Cost Rs.	Post spilt off cost Rs.	Total Cost Rs.	Selling Price Rs.	Margin Rs.	Margin % on cost Rs.
X	6.75	5.00	11.75	13.75	2.00	17.02
Y	3.38	4.00	7.38	8.75	1.37	18.56
Z	3.94	2.50	6.44	7.50	1.06	16.46

2½M

INTERMEDIATE – MOCK TEST

Note: 1	
$X = \frac{24}{40} \times 90,000$	= 54,000
$Y = \frac{9}{40} \times 90,000$	= 20,250
$Z = \frac{7}{40} \times 90,000$	= <u>15,750</u>
	<u>90,000</u>

(b) WorkingNotes:

- 1. (i) Effectivehoursforstandingcharges(208hours-8hours)=200hours
 } ½M

 (ii) Effective hours for variable costs (208 hours 28 hours) = 180hours
 } ½M

 2. Standing Charges perhour

		Cost per	Cost per hour (Rs.) (Cost		
		month(Rs.)	per month ÷ 200 hours)		
	Supervisor's salary $\left(\frac{\text{Rs. } 6,000}{3 \text{ machines}}\right)$	2,000	10.00		
Ę,	(1 Ps 7.000)	1 000	5 00	$\left.\right\rangle$	2M
	Rent of building $\left(\frac{1}{6} \times \frac{1}{12}\right)$ machines	1,000			
	General lighting	1,000	5.00		
	Total Standing Charges	4,000	20.00)	

3. Standing Charges perhour

Standing charges periodi					
	Cost per	Cost per hour (Rs.)			
	month (Rs.)				
Depreciation	4,000	20.00			
(Rs.(5,00,000-20,000) 1		(Rs. 4000)			
10 years 12 months	E CLAS	SES(200 hours)			
Wages 👘	2,500	12. <mark>50</mark>			
DOOR TO DUC	ass	(Rs. 2,500)			
		200 hours	214		
Repairs & Maintonanco (Rs. 60,480)	5,040	28.00	5 3101		
$\left(\frac{12 \text{ months}}{12 \text{ months}}\right)$		(Rs. 5,040)			
		180 hours			
Consumable stores		Rs. 22.00			
		(Rs. 3,960)			
ALC: A DECEMBER OF A DECEMBER OF A DECEMBER OF A DECEMBERO		180 hours	1		
Power (25 units × Rs.2 × 180 hours)	9,000	50.00			
Total Machine Expenses	24,500	132.50			

Computation of Two – tier machine hour rate

	· · · ·		~
	Set up timerateperma chinehour(Rs.)	Running tim ratepermachineh u (Rs.	e o ir
Standing Charges	20.00	20.0	0
Machine expenses :	DOFE		
Depreciation	20.00	20.0	0
Repair and maintenance	_	28.0	0
Consumable stores	-	22.0	0
Power	-	50.0	0
Machine hour rate of overheads	40.00	140.0	0
Wages	12.50	12.5	0
Comprehensive machine hour rate	ر52.50	/ 152 <mark>.5</mark>	0

Answer: 6

(a) Just in Time (JIT) Inventory Management

JIT is a system of inventory management with an approach to have a zero inventories in stores. According to this approach material should only be purchased when it is actually required for production.

JIT is based on two principles

(i) Produce goods only when it is required and

(ii) the products should be delivered to customers at the time only when they want.

It is also known as 'Demand pull' or 'Pull through' system of production. In this system, production process actually starts after the order for the products is received. Based on the demand, production process starts and the requirement for raw materials is sent to the purchase department for purchase. This can be understood with the help of the following diagram:



(b) Difference between Bin Card & Stores Ledger

	Bin Card	Stores Ledger		
(i)	It is maintained by the storekeeper	It is maintained in costing		
	in the store.	department.		
(ii)	It contains only quantitative details	It contains information both in		
	of material received, issued and	quantity and value.		
1000	returned to stores.			
(iii)	Entries are made when transactions	It is always posted after the	7	51
	take place.	transaction.		
(iv)	Each transaction is individually	Transactions may be summarized and		
	posted.	then posted.		
(v)	Inter-department transfers do not	Material transfers from one job to		
	appear in Bin Card.	another job are recorded for costing		
		purposes.	V	

- (c) M/s. Builder & Co. should follow cost -plus contract to quote price for the contract. Cost-plus contract provide for the payment by the contracteeof the actual cost of manufactureplusastipulatedprofit,mutuallydecidedbetweenthetwoparties. The main features of these contracts are as follows:
 - The practice of cost-plus contracts is adopted in the case of those contracts where the probable cost of the contracts can not be ascertained in advance with a reasonableaccuracy.
 - (ii) These contracts are preferred when the cost of material and labour is not steady and the contract completion may take number ofyears.
 - (iii) The different cost to be included in the execution of the contract are mutually agreed, so that no dispute may arise in future in this respect. Under such type of contacts, contractee is allowed to check or scrutinize the concerned books, documents and accounts.
 - (iv) Such a contract offers a fair price to the contractee and also a reasonable profit to the contractor.
 - (v) The contract price here is ascertained by adding a fixed and mutually predecided component of profit to the total cost of thework.

Since, M/s Builders & Co. is not confident in quoting the price, socost plus contact is better option to safeguard it from unexpectedlosses.

- (d) Molasses is a by productof sugar and treatment of by-product in cost accounting is as follows.
 - (i) When they are of small total value, the amount realized from their sale may be dealt asfollows:
 - Sales value of the by-product may be credited to Profit and Loss Account and no credit be given in Cost Accounting. The credit to Profit and Loss Account here is treated either as a miscellaneous income or as additional salesrevenue.
 - The sale proceeds of the by-product may be treated as deduction from the total costs. The sales proceeds should be deducted either from production cost or cost of sales.
 - (ii) When theyrequire further processing: In this case, the net realisablevalue of the by-product at the split-off point may be arrived at by subtracting the further processing cost from realisable value of by-product. If the value is small, it may be treated as discussed in (i)above.

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