Dr. Babasaheb Ambedkar Open University
Term End Examination January – 2018

Course	:	**DACA**	**Date**	:	**21/01/2018**
Subject Code	:	**DACA-02**	**Time**	:	**3:00pm to 6:00pm**
Subject Name	:	**Various Forms of Costing**	**Duration**	:	**3 Hours**
			Max. Marks	:	**70**

Q-1 The finished output of Ravji Ltd. passes through two processes, the entire material being introduced at the beginning of the first process. From the following production and cost data relating to the first process, work out the value of closing inventory and the value materials transferred to the second process. Also prepare Process I account.

(14)

- Process I : Opening stock: 5,000 units at Rs. 25,000
- Stage of completion of opening inventory: Material: 100%; Labour 60%, Overheads: 50%.
- Units introduced during the process: 25,000 units at Rs. 72,000; Direct labour; Rs. 40,500; Overheads: Rs. 40,000.
- Units transferred to next process: 19,000
- Spoilage during the process (units): 3,500
- Stage of completion of closing inventory : 7,500; units; Material 100%; Labour 50% Overheads: 40%
- Normal loss: 10% of input
- Sale value of spoilage: Rs. 2 per unit.

OR

Kanji Ltd. processes a range of products including a detergent, 'Washo', which passes through 3 processes before completion and transfer to the finished goods warehouse. During April, data relating to this product were as follows:

Particulars	**Process I**	**Process II**	**Process III**	**Total**
Basic Raw material (5000 units)	Rs. 3,000	-	-	Rs. 3,000
Direct Raw material added in process	4,250	4,750	2,750	11,750
Direct wages	2,000	3,000	6,000	11,000
Direct expenses	600	465	670	1,735
Production overhead	-	-	-	8,250
Output (units)	4,600	4,350	3,950	
Normal loss in process of input (%)	10	5	10	
Scrap value loss per unit	0.20	0.50	1	

The production overhead is absorbed as a percentage of direct wages. There was no stock at the start or at the end of any process.

You are required to prepare the following accounts: (1) Process I a/c (2) Process II a/c (3) Process III a/c (4) Abnormal Loss a/c (5) Abnormal gain.

Q-2 Jagdish Ltd employs Job-order costing. It uses an annual predetermined rate for applying manufacturing overheads to jobs. The company furnishes you with the following information regarding its overheads for the coming year at normal activity:

(14)

Fixed overheads: Rs. 8,00,000; and variable overheads: Rs. 6,00,000. The estimates of the direct labour cost, direct labour and machine hours at normal activity along with a set of correlation coefficient between overheads and various measures of activity, as compiled from past record, are also given as under:

Particulars	Normal level of activity	Correlation coefficient with overheads
Direct labour cost	Rs. 20,00,000	0.7
Direct labour hours	4,00,000	0.8
Machine hours	2,00,000	0.6

Determined the predetermined (i) fixed (ii) variable and (iii) total overhead rates.

Further assume that Jagdish Ltd. during the first quarter received an invitation form a regular customer to bid on a job. The job was estimated to requited Rs. 2,00,000 of direct materials and the following: Direct labour cost: Rs. 1,00,000; Direct labour hours 30,000 and Machine- hours: 10,000.

Determined the bid price the company should quote assuming its normal practice of charging 20% on the factory cost to cover other administrative overheads and profit. Assume further that the company uses a predetermined factory overhead rate to assign factory overheads to jobs.

OR

Give brief explantion of Job Costing and Batch Costing.

Q-3 From the following data calculate the cost per km of a vehicle for Raja Transport ltd.

(14)

Particulars	**Amt. (Rs)**
Value of vehicle	30,000
Road license for the year	1,000
Insurance charges per year	200
Garage rent per year	1,200
Driver's wages per month	400
Cost of petrol per litre	0.80
Proportional charge for tyre and maintenance per km	0.20
Estimated life (kms)	3,00,000
Estimated annual mileage (kms)	12,000
Petrol consumption (kms/litre)	8

OR

Explain operating costing in detail.

Q-4 Arpan Ltd. , commenced a contract on April 1, of the current year. The costing records concerning the said contract reveal the following information on March 31, of the current year:

(14)

Materials charged to site	Rs. 5,16,200
Labour engaged	Rs. 11,21,000
Foremen's salary	Rs. 1,58,600

Plant costing Rs. 5,20,000 had been on site for 146 days. Their working life is estimated at 7 years and their final scrap value at Rs. 30,000. A Supervisor, who is paid Rs. 8,000 pm, has devoted approximately three-fourths of his time to this contract. The administrative and other expenses amount to Rs. 2,80,000. Materials in hand at site on March 31, of the current year cost Rs. 50,800. Some of the material costing Rs. 9,000 was found unsuitable and was sold for Rs. 8,000 and a part of the plant costing Rs. 11,000 (on March 31 of the current year) unsuited to the contract was sold at a profit of Rs. 2,000.

The contract price was Rs. 44,00,000 but it was accepted by the contractor for Rs. 40,00,000. On March 31, of the current year, two-thirds of the contract was completed. Architects certificate had been issued covering 50% of the contract price and Rs. 15,00,000 so far has been paid on account.

Prepare contract account and state how much profit or loss should been included in the financial accounts of the current year; working should be clearly given. Depreciation is charged on time basis.

Also prepare the contractor's account and show how these accounts would appear in the balance sheet as on March 31, of the current year.

OR

Explain Contract Costing in detail.

Q-5 Explain Single or Unit Costing in detail. Draw its pro-forma with imaginary figures.

(14)

OR

What is Joint Products? Write various steps for effective determination of Joint cost And also explain the methods which are used in allocation of Joint cost in brief.