

CMA	CA R. K. Mehta
<b>Test - 9</b>	
<b>Time Allowed : 50 min.</b>	<b>Total Marks: 30 Marks</b>

**Q.1:** Explain Inter – Process profits. (5 Marks)

**Q.2:** The yield of a certain process is 80% as to the main product, 15% as to the by-product and 5% to the process loss. The material put in process (5,000 units) cost ₹ 23.75 per unit and all other charges are ₹14,250, of which power cost accounted for  $33\frac{1}{3}\%$ . It is ascertained that power is chargeable as to the main product and by-product in the ratio of 10: 9. Draw up a statement showing the cost of the by-product. (5 Marks)

**Q.3:** From the following Information for the month ending October, 2005 prepare Process Cost accounts for Process III. Use First-out (FIFO) method to value equivalent production.

Opening WIP 2,000 units at ₹ 25,750	Units scrapped 2,000 units
Transfer from Process II 53,000 units at ₹ 4,11,500	Direct material added on Process III ₹ 1,97,600
Transferred to Process IV 48,000	Direct wages ₹ 97,600
Closing stock of Process III 5,000 units	Production Overheads ₹ 48,800

The normal loss in the process was 5% of gross production and scrap and sold at ₹ 3 per unit. The degree of completion is: -

Particulars	Opening WIP	Closing WIP	Scrap
Material	80%	70%	100%
Labour	60%	50%	80%
Overheads	60%	50%	60%

(10Marks)

**Q.4:** In a chemical manufacturing company, three products A, B and C emerge at a single split off stage in department P. Product A is further processed in department Q, product B in department R, and product C in department S. There is no loss in further processing of any of the three products.

The cost data for a month are as under:

Cost of raw materials introduced in department P - ₹ 12,68,800				
Department	P	Q	R	S
Direct Wages (₹)	3,84,000	96,000	64,000	36,000

Factory overheads of ₹ 4,64,000 are to be apportioned to the departments on direct wages basis. During the month under reference, the company sold all three products after processing them further as under:

Product	A	B	C
Output sold (kgs.)	44,000	40,000	20,000
Selling Price per kg. (₹)	32	24	16

If these products were sold at the split off stage, that is, without further processing, the selling prices would have been ₹ 20, ₹ 22 and ₹ 10 each per kg. respectively for A, B and C.

**Required: -**

- Prepare a statement showing the apportionment of joint costs to joint products on the basis of physical number of units.
- Prepare a statement showing product-wise and total profit if products are sold without further processing.
- Present a statement showing product-wise and total profit for the month under reference If the products are sold after further processing.
- What processing decision should have been taken to improve the profitability of the company?
- Calculate the product-wise and total profit arising from your recommendation in (iv) above.

(10 Marks)