

GOVERNMENT ARTS AND SCIENCE COLLEGE, PEARAVURANI

DEPARTMENT OF COMMERCE

COST ACCOUNTING (16CCCCM7)

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1. A Product passes through three distinct processes to completion. During March, 500 units were produced. From the following information prepare process accounts showing the total cost as well as cost per unit.

	Process 1 Rs.	Process2 Rs.	Process3 Rs.
Materials	10000	7000	3000
Labour	2500	2000	2500
Direct Expenses:			
Fuel	500	1000	500
Carriage	1500	500	1000
Works overheads	2000	2500	2000

Indirect expenses Rs. 14000 should be apportioned on the basis of wages.

Ans.

Process 1 Account

Production 500 units

	Amount Rs.	Per units Rs.		Amount Rs.	Per unit Rs.
To Materials	10000	20.00	By Transfer to Process 2 A/c	21500	43.00
To Labour	2500	5.00			
To Direct Expences :					
Fuel	500	1.00			
Carriage	1500	3.00			
To works Overheads	2000	4.00			
To Indirect Expenses (1)	5000	10.00			
	21500	43.00			

Process 2 Account

	Amount Rs.	Per units Rs.		Amount Rs.	Per unit Rs.
To Transfer from process 1 a/c	21500	43.00	By Transfer to Process 3 A/c	38500	77.00
To Materials	7500	14.00			
To Labour	2000	4.00			
To Direct Expences :					
Fuel	1000	2.00			
Carriage	500	1.00			
To works	2500	5.00			
Overheads					
To Indirect Expenses (1)	4000	8.00			
	38500	77.00		38500	77.00

Process 3 Account

	Amount Rs.	Per units Rs.		Amount Rs.	Per unit Rs.
To Transfer from process 2 a/c	38500	77.00	By Finished stock A/c	52500	105.00
To Materials	3000	6.00			
To Labour	2500	5.00			
To Direct Expences :					
Fuel	500	1.00			
Carriage	1000	2.00			
To works	2000	4.00			
Overheads					
To Indirect Expenses (1)	5000	1.00			
	52500	105.00		52500	105.00

Working :

(1) Apportionment of indirect expenses:

Indirect expenses Rs. 14000 it is to be apportioned on the basis of wages.

Ratio of wages = 2500 : 2000 : 2500

Indirect expenses – Process 1 Rs. $14000 \times \frac{5}{14}$ = Rs. 5000

Process 2 Rs. $14000 \times \frac{4}{14}$ = Rs. 4000

Process 3 Rs. $14000 \times \frac{5}{14}$ = Rs. 5000

2. A liquid medicine passes through three processes. During the month of January 2010, 600 gross bottles were produced. From the following details. Prepare process accounts.

	Process X	Process Y	Process Z
Materials	4000	2000	1500
Labour	3000	2500	2300
Direct expenses	600	200	500
Cost of bottles	—	2030	—
Cost of corks	—	—	325

Indirect expenses were Rs. 1600. In process Y the byproducts were sold for Rs. 240. In Process Z the residue was sold for Rs. 125.50

Ans.

Process X account

	Amount Rs.		Amount Rs.
To Materials	4000	By Transfer to Process Y	8215
To Labour	3000		
To Direct Expenses	600		
To Indirect Expenses (1)	615		
	8215		8215

Process Y account

	Amount Rs.		Amount Rs.
To Transfer from Process X	8215	By Sales of By Product	240
To Materials	2000		
To Labour	2500	By Transfer to Process Z	15218
To Direct Expenses	200		
To Indirect Expenses (1)	513		
To Cost of bottles	2030		
	15458		15458

Process Z account

	Amount Rs.		Amount Rs.
To Transfer form Process Y	15218	By Sales of residue	125.50
To Materials	1500		
To Labour	2300		
To Direct Expenses	500	By Finished Stock a/c	20189.50
To Indirect Expenses (1)	472		
To Cost of bottles	325		
	20315		20315.00

Working : (1) Indirect expenses = Rs. 1600. It is to be apportioned in the ratio of labour 3000 : 2500 : 2300 = 30 : 25 : 23

Process X Rs. $1600 \times 30 / 78 =$ Rs.615

Process X Rs. $1600 \times 25 / 78 =$ Rs.513

Process X Rs. $1600 \times 23 / 78 =$ Rs.472