

CHAPTER 1 : OPERATING COSTING

(I) TRANSPORT

Q.1. A transport service company is running five buses between 2 towns which are 50 kms apart. Seating capacity of each bus is 50 passengers. The following particulars were obtained for the month of April 2005.

Particulars	₹
Wages of drivers, conduction and cleaners (per bus)	2,400
Salaries of office staff	50,000
Repairs and maintenance	40,000
Taxation & Insurance	80,000
Depreciation (per bus)	26,000
Interest and other expenses	1,00,000
Tyre and tubes (per km)	0.5
Diesel oil and other oil (per litre)	45

On an average all the buses give a milage of 10 kms per litre. Actual passengers carried were 75% of seating capacity on all the buses. All buses ran on all days of the month. Each bus made one round trip per day.

Find out how much will be the net taking per passenger per km if 15% is added to the cost? **[April 2007]**

Q.2 Sainath travels service provides you with the following information in respect of a Fleet of 15 taxis run by the company.

Cost of each taxi was ₹ 250000.

Salary to office Staff was ₹6000 per months

Salary to mechanic was ₹ 2500 per months

Salary to each driver was ₹3000 per months

Salary to cleaner was ₹ 2000 per months.

Garage rent was ₹3500 per months

Insurance premium at 5% p.a. on the cost of each taxi

Taxes were ₹ 4800 p.a. per taxi

Repair charges were ₹ 2,400 per taxi p.a.

Total life of taxi is about 2,00,000 Km. A taxi runs in all 3,000 km of which 20% it runs empty. Petrol consumption is 1 Liter for 8 km at ₹ 15 per Liter. Oil Grease and Other miscellaneous Expenses are ₹ 25 per 100 Km.

Prepare Operating cost Statement and calculate the cost of running taxi per km.

[April 2008]

Q.3 A transport Company maintains a fleet of bus as follows:

Number of Buses	Carrying capacity
30	50 Passengers Each
25	40 Passengers Each

Each bus makes 5 round trips a day, covering a distance of 11 Km in each trip. On an average 80% of the seats are occupied in each trip & 5 buses are under repair every day.

The following information is also available:

Particulars	₹.
Salary of the drivers	3,500 each per month.
Salary of the Conductor	2,200 each per month.
Petrol [Bus runs 10 Kms. Per liter]	50 per litre
Oil, Grease etc.	1,500per each month.
Tyres, Tubes etc.	1,100 per month.
Repairs	2,21,000 per year.
Garage Rent	3,20,000 per year.
Road License	1,80,000 per year.
Taxes	55,000 per half year.
Interest	1,25,000 per year.
Salary of operating manager (also work as Accountant)	8,000 per month.
General Supervision Charges	40,000 per year.

Assuming that the company operates its fleet daily, ascertain the operating cost per passenger –km.

You are required to calculate the fare that should be charged from passengers to earn the profit 33 1/3% on net takings. [Assume 360 days a year] **[Nov, 2005]**

Q.4 A company presently brings Coal to its factory from a nearby yard which is located 6 Kms away from factory and the rate paid is ₹ 50 per ton for transportation. The company is considering proposal to buy its own trucks and has the option of buying either a 10 tons or 8 ton capacity trucks. The following information is available:

Particulars	10 ton truck	8 ton truck
Purchase price [₹.]	10,00,000	8,00,000
Life [Years]	5	5
Scrap Value at end of 5 th year	nil	nil
Kms. Per liter of diesel	3	4
Repairs & maintenance p.a. per truck [₹.]	60,000	48,000
Other expenses [fixed] p.a.[₹.]	60,000	36,000
Lubricants and sundries per 100 km [₹.]	20	20

Each truck will daily make 5 trips [to & Fro] on an average for 24 days in a month. Cost of diesel ₹.16 per litre. Salary of drivers ₹ 3,000 per month and 2 drivers will be required for a truck. Other staff expenses ₹ 1,08,000 p.a.

Prepare a comparative operating cost statement on the basis of the above data showing transport cost per ton of operating 10 ton and 8 ton truck at full capacity utilization.

[Nov 2006]

Q.5 Star Transport Company maintains a fleet of bus as under :
 20 Buses with carrying capacity of 50 passengers each.
 10 Buses with carrying capacity of 40 passengers each.
 Each bus makes 4 trips a day, covering a distance of 10 kilometers in each trip. On an average 80% the seats are occupied in each trip and 5 buses are under repairs every day.

Assuming that the company operates its fleet daily (All 365 days) ascertain the operating cost per passenger km from the following :-

Salary of 30 drivers	₹ 3,000/- each per month
Salary of 30 cleaners	₹ 1,000/- each per month
Diesel expenses	₹ 400,000/- per month
Oil, Grease etc.	₹ 5,000/- per month
Tyres, Tubes etc.	₹ 2,000/- per month
Repairs	₹ 30,000/- per year
Garage rent	₹ 40,000/- per year
Road Licences	₹ 20,000/-
Taxes	₹ 5,000/- per half year
Interest	₹ 25,000/- per year
Salary of Operating Manager	₹ 5,000/- per month
General Supervision charges	₹ 10,000/- per year

[Nov 2007]

Q.6 From the following data relating to two different vehicles X and Y, calculate the cost of the running kilometers.

Particulars	Vehicle X	Vehicle Y
Annual kilometers run	15,000	6,000
Tonnes/k.m. [Average]	6	4
Cost of Vehicle	₹ 25,000	15,000
Annual Road license Fees	₹ 750	750
Annual Insurance premium	₹ 700	400
Annual Garage rent	₹ 900	500
Supervising /Salary	₹ 2,700	2,700
Driver's wages per hour	₹ 3	3
Cost of fuel per litre	₹ 3	3
Kilometers run per litre	20	15
Repairs/Maintenance/km.	₹ 1.65	2.00
Tyre allocation/km.	₹ 0.80	0.60
Estimated life in kms	1,00,000	75,000

Charge Interest @ 5% p.a. on the cost of the vehicles. The vehicles run 20 kms per hour on an average.

[Nov, 2008]

Q.7 Om Prabhu shanti Transport Company operates 5 buses between two towns which are 50 Kms apart. The seating capacity of each bus is 50 passengers. The following particulars were obtained from their books for the month of April 2010.

Particulars	₹
Wages of driver, Conductors& cleaners	2,40,000
Salaries of office staff	1,00,000
Diesel & other oil Expenses	3,50,000
Repairs & maintenance	80,000
Taxation & Insurance	30,000
Depreciation (on straight Line Basis)	2,60,000
Interest & Rent of garage	2,00,000
Commission to staff(based on takings)	1,30,000

Actual passengers carried were 75% of the seating capacity. All Buses ran on all 30 days of the month. Each Bus made one round trip per day. Classify the operating cost into standing chargers and running and maintenance costs, and find out the cost per passenger kilometer.

[Nov 2010]

Q.8 Deepak transport co. has provided the following information in respect of a truck of 5 tonne capacity.

particular	₹
Cost of truck	90,000
Estimated life	10 years.
Repairs and maintenance	500 p.m.
Driver salary	500 p.m.
Cleaner salary	250 p.m.
Insurance	4,800 per year
Road tax	2,400 per year
Supervision	4,800 per year
Diesel and oil	15 trip each way

Truck covers 50 km each way. On outward trip freight is available to the extent of full capacity and on return 20% of capacity. Assume truck run average 25 days a months.

Calculate:

1. Operating cost tonne-km
2. Rate per tonne trip that the company should charge if a profit on 50% on freight is to be earned. **[Nov 2011]**

Q.9 Shree Sad guru Travel Services provided you the following Information in respect of a fleet of 30 taxis run by the company:-

Particulars	₹
Cost of each taxi	5,00,000 Per month
Salary to office staff	12,000 Per month
Salary to mechanic	5,000 Per month
Salary to driver per taxi	6,000 Per month
Salary to Cleaner	4,000 Per month
Garage Rent	7,000 Per month
Insurance Premium	@ 5% per annum on the cost of each taxi
Taxes	9,600 Per annum per taxi
Repair Charges	4,800 Per annum per taxi

1. Total life of a taxi is about 4,00,000 kms. A taxi runs in all 6,000 kms in a month of which 20% it runs empty.
2. Diesel consumption is one litre for 16 kms. @ Ra.30 per litre.
3. Oil, grease and other miscellaneous expenses are ₹50 per 200 kms.

Classify the operating costs into standing charges and running and maintenance costs per taxi per month and calculate the cost of running a taxi per kilometer. **[Nov 2012]**

Q.10 Vikas Transport Ltd. charges ₹ 600 tonnes for a five lorry load from Calcutta to Durgapur. The charge of return trip is ₹ 560 per tonne. In the month of July, 2013, WBX 4990 made ten outward journey with full load of which 3 tonnes were unloaded at Burdwan twice in a month. It returned once without any load from Burdwan. **[Nov 2013]**

The details of Expenses and other details are as follow:

- Annual Fixed charges ₹192,000.
- Annual Maintenance charges ₹ 96,000.
- Monthly operating Charges ₹ 12020.
- Distance from Calcutta to Burdwan 120 Kms
- Distance from Calcutta to Durgapur 210 Kms

WBX 4990, carried a load of 8 tonnes 5 times in the month while returning from Durgapur but was once caught by the police and fined ₹ 10,000.

You are required to calculate the cost per tonnes Km. & also the profit in the month of July, 2013. Assuming that no concession is made for delivery at the intermediates stage.

- Q.11** You are require to calculate a fare per passenger-Km of CSR Transport Co. from the following information for a Mini Bus:
- Length of route : 30 Km one way
 - Purchase Price ₹ 4,00,000
 - Part of above cost met by Loan, Annual interest of which ₹ 10,000 p.a.
 - Other annual charges:

Insurance	₹ 15,000
Garage Rent	₹ 9,000
Road Tax	₹ 3,000
Repairs & Maintenance	₹ 15,000
Administrative Charges	₹ 5,000
 - Running Expenses: Driver and conductors salary ₹ 5,000 p.m., Repairs and Replacement of tyre and tube ₹ 3,600 p.a. Diesel and oil per Km. ₹ 5.
 - Effective life of vehicle is estimated at 5 Years at the end of which it will have a scrap value of ₹ 10,000.
 - Minibus has 20 seats and is planned to make six, two-way trips for 25 days/pm
 - Provide profit@20% of total revenue. **[Nov 2013]**

(II) HOTEL

- Q.12** Jaypee hotels run a 50-room hotel at Nainital. Being a hill station, the hotel has a seasonal business. Off-season is considered to be 4 months of winter and peak season is for the remaining 8 months. The company expects a profit at 20% on room tariff.

Following details are available for one year working. [You may assume each month to be of 30 days for calculation purpose]

- (1)** Room Occupancy: Off season – 40%
Peak season – 80%

- (2)** Other Details:

Annual overheads	
Permanent Staff salaries	30,50,000
Building repairs	13,05,000
Laundry/linen	5,80,000
Upkeep/maintenance	8,41,250
Sundry expenses	9,51,750

- (3)** Total investment in building is ₹.800 lacs, Furniture, etc is ₹.200 lacs. Depreciation is to be provided 5% on building and 15% on furniture etc.
- (4)** Temporary staff is hired from time to time and their cost is ₹.32,000 per month in peak season and ₹.2,500 in off-season. The hotel requires 20 temporary staff during each month of peak season and 10 temporary staff during each month considered as off-season.
- (5)** Electricity charges are based on per unit consumed. The rate charged by electricity board is ₹.3 per unit in peak season and ₹.2 per unit in off-season. The estimated consumption of electricity is 2,000 units per month in peak season and 1500 units per month in off- season.

Prepare a statement of operating cost and find the average room tariff chargeable by the hotel. **[April, 2006]**

Q.13 Ramada International Hotel run 100room hotel in Goa. Hotel businesses being seasonal 8 month are peak season months. Owner is expecting a profit of 20% on room tariff. (Assume 25 days in a month for calculation purpose).

In off-season rooms are occupied at 10% and during peak season 90% annual expenses incurred by hotel owner are as under-

Particulars	₹
Building Repairs	12,60,000
Furniture Repairs	3,75,000
Permanent staff salaries	24,75,000
Food expenses	3,81,000
Sundry expenses	3,00,000

Cost of the building is ₹ 500 lacs and furniture is ₹ 250 lacs. Provide depreciation at 5% on building and 10% on furniture Temporary staff is hired in peak season @ ₹ 7,000 per month. Hotel requires 20 Temporary staff during peak season. Hotel consumes 12,000 units of electricity during peak season and 9,500 units during off-seasons. Electricity charged is ₹ 4.50 per unit during peak seasons and ₹ 3.50 During off- seasons.

Prepare a statement of operating cost and calculate average room tariff. **[Nov 2012]**

CHAPTER 2 : NON INTEGRATED ACCOUNTS

Q.14 Sarex Chemicals started operation on 1st January 2004. Following transactions Took place till the year ended 31st December 2004.

Sr. No.	Particulars	Amount ₹
1	Material purchased	20,80,000
2	Material issued to production	12,00,000
3	Material returned to suppliers	40,000
4	Material returned from production	20,000
5	Total wages paid	26,00,000
6	<u>Wages allocated at follows:</u>	
	Direct wages	24,00,000
	Indirect wages	2,00,000
7	Factory overheads paid	13,20,000
8	Factory overheads allocated to production	50% of direct wages
9	Cost of goods produced	45,00,000
10	Cost of goods sold	32,00,000
11	Sales for the year	40,00,000

Prepare relevant control accounts and draw trial balance as on 31st December 2004.

[April, 2006]

Q.15 The following balances were extracted from a company’s ledger as on 31.12.2005:

Particulars	₹	₹
Raw materials control A/c	48,836	
Work in progress control A/c	14,745	
Finished stock control A/c	21,980	
Nominal ledger control A/c		85,561
Total	85,561	85,561

Further transactions took place during the following quarter as follows:

Particulars	₹
Factory overhead – allotted to WIP	11,786
Goods finished- at cost	36,834
Raw materials purchased	22,422
Direct wages- allotted to WIP	18,370
Cost of goods sold	42,000
Raw materials -issued to production	17,000
Raw materials –credited by suppliers	1,000
Inventory audit – raw material losses	1,300
WIP rejected (with no scrap value)	1,800
Customer’s returns (at cost) of finished goods	3,000

Prepare all the Ledger Accounts in Cost Ledger From the information given below, [April 2007]
prepare.

Q.16 Ledger of Vivek Industries shows following balances as on 31st March, 2005

Particulars	Dr. (₹)	Cr. (₹)
Raw material control Account	50,200	--
Work in progress control Account	12,745	--
Finished Stock control Account	25,980	--
General ledger Control Account	--	88,925
Total	88,925	88,925

Following further transaction took place during the following quarter ended 30-06-05.

Particulars	₹
Factory overheads Allocated to work in progress	11,786
Finished goods (at cost)	33,834
Purchase -raw materials	22,422
Direct wages- Allocated to work in progress	8,370
Raw material issued to production	16,290
Cost of goods sold	41,389
Raw material issue to production	836
Finished goods return by customer (At cost)	2,856
Raw material losses	1,236
Work in progress rejected (with no scrape value)	1,764

You are required to prepare above four Accounts in the cost ledger and the trial balance as on 30th June 2005.

Q.17 The following balances were extracted from a company’s Ledger as on 31.12.2004.

Particulars	₹	₹
Raw Materials Control A/c	1,95,344	-
Work-in-Progress [WIP] Control A/c	58,980	-
Finished Goods Control A/c	87,920	-
Nominal Ledger Control A/c	-	3,42,244
Total	3,42,244	3,42,244

Further transactions took place during the following quarter as follows:

Particulars	₹
Raw materials Purchased	89,688
Raw Materials – Issued to Production	68,000
Raw Materials – Credited by Suppliers	4,000
Inventory audit – Raw Materials Losses	5,200
Finished Goods – at cost	1,47,336
Factory overhead – allocated to WIP	47,144
Direct Wages – allocated to WIP	73,480
Cost of Goods sold	1,68,000
WIP rejected [with no scrap value]	7,200
Customer’s returns of Finished Goods [at cost]	12,000

Prepare Control Accounts relating to Raw Materials, Work-In-Progress, Finished Goods and General Ledger in Cost Ledger. **[Nov, 2005]**

Q.18 Following balances have been extracted from books of Crown India Ltd. as at 01.01.06.

Particulars	₹	₹
General Ledger Adjustment A/c		81,228
Stores Ledger Control A/c	40,852	
Work in progress Control A/c	9,690	
Finished Goods Ledger Control A/c	30,686	
Total	81,228	81,228

A summary of transactions during the year 2006 is as under.

Particulars	₹
Stores Purchased for stock	2,51,846
Purchases against specific jobs	28,402
Stores issued: Direct Materials	1,80,642
Indirect materials	65,813
Stores Returned to suppliers	22,187
Wages to direct workers	1,42,682
Wages to indirect workers	41,841
Salaries to sales office staff	31,832
Warehouse salaries	26,419
Head office salaries	8,100
Works overheads expenses	1,28,832
Sales office and showroom expenses	61,432
Warehouse and delivery expenses	48,919
Head office expenses	28,602
Overhead Absorbed in Costs:	
Works	2,22,690
Selling	90,742
Distribution	79,108
Office	35,819
Cost of goods Produced during the year	5,78,412
Value of finished goods sold [at cost]	6,13,826
Value of finished goods [at selling price]	8,45,400

Prepare the necessary accounts in company’s books.

[Nov 2006]

Q.19 Ledger of Amit Industries shows following balances as on 1st April 2003.

Particulars	DR (₹)	CR (₹)
Raw Material Control Account	53,375	-----
Work Progress Control Account	1,04,595	-----
Finished Stock Control Account	30,780	-----
General Ledger Control Account	-----	1,88,750
Total	1,88,750	1,88,750

Following further transaction took place during the following quarter ended 30th June 2003.

Factory overheads incurred	95,200
Sales	2,56,000
Purchases- Raw Materials	26,700
Direct Wages paid (including indirect wages ₹ 23,000)	77,500
Raw Materials issued to Production	40,000
Raw Materials issued for factory repairs	900
Production Overheads under absorbed & Written off	3,200
Work in Progress (with no scrap value)	1,764

The company's Gross Profit is 25% on Factory cost. At the end of the quarter, WIP stock increased by ₹ 7500.

Prepare above the relevant cost accounts, costing P & A/c, General Ledger control A/c and the Trial Balance as on 30th June 2003. **[Nov 2007]**

Q.20 A company operates separate cost accounting and financial accounting systems. Opening balances as on 1st April 2008 in the Cost Ledger were-

Particulars	Dr. ₹	Cr. ₹
Stores Ledger Control A/c	53,375	--
WIP control A/c	1,04,595	--
Finished Goods control A/c	30,780	--
General Ledger Adjustment A/c	--	1,88,750

Transactions for the quarter ended 30/6/2008 are given below:

Particulars	₹
Materials Purchased	26,700
Material issued to production	40,000
Materials issued for factory repairs	900
Factory Wages paid [including indirect wages ₹.23000]	77,500
Production overheads incurred	95,200
Production overheads under-absorbed and written off	3,200
Sales	2,56,000

The company's Gross Profit is 25% on Factory Cost. At the end of the quarter WIP Stocks increased by ₹ 7,500.

Prepare:

- 1) General Ledger Adj. A/c
- 2) Stores Ledger Control A/c
- 3) WIP control A/c
- 4) Finished goods control A/c
- 5) Factory overhead control A/c
- 6) Cost of Sales A/c
- 7) Sales A/c
- 8) Wages Control A/c

[Nov, 2008]

Q.21 You have been asked to prepare a month's cost accounts for a company which operates a batch costing system fully integrated with the financial accounts. The following relevant information is provide to you:

Particulars	₹	₹
<u>Balance at the beginning of the month:</u>		
Stores ledger control A/C		2,50,000
Work in progress Control A/C		2,00,000
Finished goods control A/C		3,50,000
Prepaid production overhead b/d from the previous year		30,000
Material purchased		7,50,000
<u>Material issued</u>		
To production	3,00,000	
To Factory	40,000	3,40,000
Materials transferred between batches		50,000
<u>Total wages Paid:</u>		
To Direct workers	2,50,000	
To Indirect works	50,000	3,00,000
Direct wages charged to batches		2,00,000
Recorded non-productivity time of direct workers		50,000
Selling & distribution overhead incurred		60,000
Other production overhead incurred		1,20,000
Sales		10,00,000
Cost of finished goods sold		8,00,000
Cost of goods complete and transferred in to finished Goods during the months		6,50,000
Physical value of WIP at the end of the month		4,00,000

The production overhead absorption rate is 15% of direct wages charged to work in progress. Prepare the following accounts for the month.

- Stores ledger control A/C
- WIP control A/C
- Finished goods control A/C
- Production overhead control A/C
- Profit and loss A/C

[Nov 2010]

Q.22 Following Ledger balances are taken from books of Amar Dye Chem. Ltd. as on 31-3-10.

Particulars	Dr.	Cr.
Raw Material Control	25,418	
Nominal/ Normal Ledger A/C		44,780
Work in progress control A/C	6,370	
Finished stock control A/C	12,992	
Total	44,780	44,780

Further Transaction took place 30th September, 2010.

Factory Overhead	5,893
Finished goods (cost)	18,417
Raw Material Loss	618
Return from customer	1,430
Rejection of WIP	880
Raw Materials Purchase	11,211
Wages (allocated to WIP)	4,185
Cost of goods sold	20,695
Materials given for production	8,149
Raw Materials Credited by supplier	420

Prepare:-

1. Raw Materials control A/C
2. WIP control A/c
3. Finished stock control A/C
4. Nominal Ledger control A/C
5. Trial Balance on 30-09-2010

[Nov 2010]

Q.23 The following figures have been extracted from the cost records of a manufacturing unit:-

particular	₹
Stores : opening balance	30,000
Purchase	1,60,000
Transfer from work-in-progress.	80,000
Issue to work in progress	1,60,000
Issue to repairs and maintenance	20,000
Deficiency found in stock taking	6,000
Work-in-progress	
Opening balance	60,000
Direct wages applied	60,000
OH applied	2,40,000
Closing balance	40,000

Finished products : entire output is sold at a profit of 10% on actual cost from work in progress.

Other wages incurred ₹ 70,000; OH incurred ₹ 2,50,000.

Items not included in cost records: income from investments ₹ 10,000 loss in sale of capital assets ₹ 20,000.

Draw up stores control Account, work in progress control account, costing profit and loss A/c.

[Nov 2011]

Q.24 The following balances were extracted from A and co. Ltd. As on 31st Dec, 2011.

Particulars	₹	₹
Raw materials control A/c.	48,836	
Work in progress control A/c	14,745	
Finished sock control A/c	21,980	
Normal Ledger Control A/c		85,561
Total	85,561	85,561

Further transactions took place during the following quarter as follows:-

particulars	₹
Factory OH-allocated to WIP	11,786
Finished goods –at cost.	36834
Raw material purchased	22422
Direct wages allocated to WIP	18370
Cost of goods sold	42000
Raw materials issue to production	17000
Raw material credited by suppliers	1000
Inventory Audit-low material losses	1300
WIP rejected (with No scrap value)	1800
Customer returns (at cost) of finished goods.	3000

Prepare all the ledger accounts in cost ledger.

[Nov 2011]

Q.25 As of 31st march, 2008 the following balance existed in a firm's cost ledger which is maintained separately on a double entry basis:-

Particulars	Dr. ₹	Cr. ₹
Stores Ledger Control A/c	3,00,000	
Work-in-Progress Control A/c	1,50,000	
Finished Goods Control A/c	2,50,000	
Manufacturing Overhead Control A/c		15,000
Cost Ledger Control A/c		6,85,000
Total	7,00,000	7,00,000

During the next quarter, the following items arose:

Particulars	₹
Finished Product (at cost)	2,25,000
Manufacturing overhead incurred	85,000
Raw material purchased	1,25,000
Factory wages	40,000
Indirect labour	20,000
Cost of sales	1,75,000
Material issued to production	1,35,000
Sales returned (at cost)	9,000
Material returned to suppliers	13,000
Manufacturing overhead charged to production	85,000

You are required to cost ledger Control A/c., Stores ledgers Control A/c., Work-in-progress Control A/c., Finished Stock Ledger Control A/c., Manufacturing Overhead Control A/c., Wages Control A/c., Cost of sales A/c. and the trial balance at the end of the quarter. **[Nov 2012]**

Q.26 On 31st March 2013 the following balances were extracted from the books of the Sundakphu manufacturing company Ltd.

Particulars	Dr. ₹	Cr. ₹
Store ledger Control Account	35,000	
WIP control A/c	38,000	
Finished goods Control Account	25,000	
Cost Ledger Control Account		98,000
Total	98,000	98,000

The following transaction took place in April 2013.

Particulars	₹
Raw Materials:-	
Purchased from S & Co.	95000
Returned to suppliers	3,000
Issued to production	98,000
Returned to stores	3,000
Productive Wages	40,000
Indirect Labour	25,000
Factory Overhead incurred	50,000
Selling and administrative Expenses	40,000
Cost of finished goods transferred to warehouse	2,13,000
Cost of Goods Sold	2,10,000
Sales to Rakesh Ltd.	3,00,000

Factory overheads are applied to Production at 15% of direct wages any under/over absorbed being carried forward for adjustment in the subsequent month. All administrative and selling expenses are treated as period costs and charged off the costing profit and loss account of the month in which they are incurred.

Prepare the following accounts:

1. Cost ledger control account
2. Store ledger control account.
3. WIP control account.
4. Finished goods control account
5. Costing profit and loss account.
6. Trial balance as at 30th April, 2013.

[Nov 2013]

CHAPTER 3 : INTEGRATED ACCOUNTS

Q.27 From the following particulars, pass Journal Entries in an Integrated System of accounting in the books of M/s A.K.Ltd. [Nov 2010]

Particulars	₹
Raw Materials Purchased (80% on credit)	11,80,000
Materials issued to production	8,90,000
Total Wages paid	5,00,000
Wages charged to production	3,60,000
Factory Overhead incurred	3,80,000
Factory Overhead charged to production	3,20,000
Office overhead incurred	2,20,000
Office Overhead applied to finished Goods	1,70,000
Selling & Distribution overhead incurred	96,000
Selling & Distribution overhead applied to cost of sales	72,000
Finished goods produced	10,00,000
Materials lost by fire	20,000
Materials issued for construction of Building	80,000

Q.28 Max well Co. which operates a batch costing system fully integrated with the financial accounts. The following relevant information is provided to you.

Opening balance as on 1-4-2011	₹
Stores ledger control account	12,500
WIP control A/c	10,000
Finished goods control A/c	17,500
Prepaid production O/H	1,500
Transactions during April, 2011	
Material purchase	37,500
Material issue to production	15,000
Material issue for factory maintenance	2,000
Material transfer between batches	2,500
Wages paid to direct workers	12,500
Wages paid to indirect workers	12,500
Direct wages charged to batch	10,000
Non productive time of direct workers	2,500
Selling overhead incurred	3,000
Other production O/H incurred	6,000
Sales	50,000
Cost of finished goods sold	40,000
Cost of goods completed and transferred to finished goods during month	32,500
Physical value of WIP end of month	20,000

Production O/H absorption rate 150% of direct wages charged to WIP.
Prepare.

1. Store ledger control A/c
2. WIP control A/c
3. Finished goods control A/c
4. Production O/H control A/c.

[Nov 2011]

Q.29 From the following particulars, pass journal entries in an Integrated System of accounting in the books of M/S. Aditya Ltd.

Particulars	₹
Raw material purchased (75% on credit)	4,90,000
Material issued to production	3,70,000
Total wages paid	2,00,000
Wages charged to production	1,50,000
Factory overheads incurred	1,55,000
Factory overheads charged to production	1,30,000
Office overheads incurred	90,000
Office overheads applied to Finish Goods	70,000
Selling & Distribution overheads incurred	38,000
Selling & Distribution overheads applied to cost of sales	30,000
Finished goods produced	4,00,000
Materials issued for construction of building	25,000

[Nov 2012]

Q.30 A Ramdas enterprise operates an integral system of accounting. Pass Journal entries only for the following transactions that took place the year ended 31st March, 2013.

Particulars	₹
a. Material purchase from Meetu & Co.	3,00,000
b. Material issue to production	2,00,000
c. Wages paid to worker	80,000
d. Selling & distribution expenses paid to sachin Advertising Ltd	50,000
e. Wages charged to production	60,000
f. Factory overhead absorption rate 150% of wages charged to WIP	
g. Cost of goods completed and transferred into Finished goods	3,80,000
h. Cost of finished goods sold	4,50,000
i. Sales	6,00,000
j. Office Expense incurred	30,000
k. Receipt from customer	4,00,000
l. Office expenses outstanding	10,000
m. Indirect labour incurred	1,40,000
n. Selling & distribution expenses applied to cost Of sales	50,000

[Nov 2013]

4. Process Costing

Q.31 In process X 10,000 units were introduced during October, 03, 2000 units were 80% complete in respect of material and 60% complete in respect of Labour and overheads which remained as WIP at the end of months. The costing records show the following information:

Particulars	Rs
Material	48,000
Labour	27,600
Overheads	18,400

There is no loss in the process
Prepares:

- 1) Equivalent production.
- 2) Cost per unit of Equivalent Production.
- 3) Statement of apportionment of cost.
- 4) Process Accounts.

[April 2008]

Q.32 The following information relates to Process X for the month of April 2005.

Particulars	₹
Opening Work-in-Progress	Nil
Units introduced into the Process	15,000
Units completed & transferred to Process Y	10,000
Closing Work-in-Progress	3,500
Normal Loss [0% of Input]	10.00%
Cost incurred during the month	₹
Material cost	66,150
Labour cost	28,500
Overhead cost	19,950

The Work-in-Progress at the end of the month is 60% complete in respect of Materials and 40% complete in respect of Labour & Overheads.

Normal loss is sold at ₹1.75 per kg.

[Nov 2005]

You are required to compute the cost of completed production transferred to Process Y, the cost of Work-In-Progress at the end of the month and Process X Account

Q.33 You are given the following information

Input: 3,800 units.

Output : 3,000 units.

Closing WIP: 800

Particulars	Degree of completion	Process cost
Materials	80%	14,560
Labour	70%	21,360
Overheads	70%	14,240

Prepare:

1. Equivalent production.
2. Cost per unit of Equivalent production.
3. Statement of apportionment of cost.
4. Process a/c.

[Nov 2007]

- Q.34** In process X 12,000 units were introduced. At the end of the process, outputs produced were 10,000 units and closing work-in-progress 2,000 units. **[Nov 2008]**

Process Costs	₹	Degree of Completion [%]
Materials costs	34,800	80%
Labour	22,800	70%
Overheads	11,400	70%

- Q.35** From the following detail prepare statement of equivalent production, statement of cost and find the value of:
 (a) Output Transferred, and
 (b) Closing Work-in-progress

Openings Work-in-progress	2,000 units
	₹
Materials (100% Complete)	7,500
Labour (60% Complete)	3,000
Overhead (60% Complete)	1,500
Units introduced into this process	8,000 units

There are 2,000 units in process and the stage of completion is estimated to be:

Materials	100%
Labour	50%
Overhead	50%

8,000 units are transferred to next process.

The process costs for the period:

Materials	1, 00,000
Labour	78,000
Overhead	39,000

[Nov 2009]

OBJECTIVES

(I) Fill in the blank.

- Operating costing uses the methods of _____ costing when costing a particular trip by a bus.
- The objective of uniform costing is to maximize _____.
- Cost ledger contains all _____ accounts.
- Abnormal loss is debited to _____ A/c.
- _____ A/c makes cost ledger self balancing.
- Factory rent is _____ cost.
- Under Non-integrated system _____ set of account books are maintained.
- WIP Ledger shows jobs under _____.
- Total balance in the control accounts and total of individual balance in the subsidiary ledger should _____.
- Uniform costing does not eliminate _____.

(II) Rewrite and state whether the following statement are true or false.

- There is no difference between operating costing and Process costing.
- Internal accounts eliminate the necessity of operating cost ledger control accounts.
- Work on sale of capital asset is not included in accounts under internal system.
- Uniform Costing help to control cost.
- The object of hotel costing is to find out cost per room.

6. Control Account are the total accounts maintained in cost ledger.
7. Sales ledger show accounts of supplier.
8. Cost ledger contains all impersonal account.
9. Classification of cost in fixed and variable is of special importance in unit costing.
10. Integral Accounts merge financial and cost Accounts in one set of accounts.
11. Water Supply Service Company uses number of hours pumped as cost unit.
12. Log book and daily log sheet are one and the same.
13. Operating costing and operating costing are similar.
14. A capacity power generation unit in a manufacturing company is not called a production department.
15. Uniform costing helps to control cost.
16. Control accounts provide a basis for reconciliation.
17. General ledger Adjustment A/C shows real accounts.
18. Overhauling is running cost.

(III) Match the following and rewrite.

Group 'A'	Group 'B'
1. Rent of premises	A. Indirect Material
2. Sales Ledger	B. Each item of stores
3. Inter Locking System	C. Integrated system
4. Store ledger control A/c	D. Non-Integrated system
5. Factory overhead control A/c	E. Accounts of supplier
	F. Accounts of customer
	G. Running cost
	H. Standby cost

'A'	'B'
a. Uniform costing	1. Indirect material
b. Factory Overhead Control A/C	2. Two firms wants to follow same coating system
c. Non Integrated system	3. Running expenses
d. Cost of fuel for a car	4. Impersonal account
e. Cost Ledger	5. Four important ledgers are maintained

Column 'A'	Column 'B'
Benefit of uniform costing	Inter locking system
Non Integrated system	Profit on sale
Costing P/L A/c	Healthy competition
Hotel Costing	Maintenance cost
Repairs	Per cup of tea.

(IV) Choose the most appropriate answer from the following and rewrite the complete statement:-

1. If the present cost of the car is ₹ 50,000/- residual value at the end of the 5th year is ₹ 10,000/- the monthly depreciation is-
 - a. ₹8,000
 - b. ₹ 8,667
 - c. ₹667
 - d. None of the above.

2. Service costing is not used in one of the following-
 - a. Electricity
 - b. Hospitals
 - c. Transport
 - d. Electronics

3. In _____ accounts, no personal accounts are kept but the transactions affecting the nominal accounts are recorded.
 - a. Financial
 - b. Integrated
 - c. Cost
 - d. None of the above

4. The _____ ledgers are maintained in non integrated accounting system are cost ledger, stores ledger, W.I.P ledger, finished goods ledger.
 - a. Principal
 - b. General
 - c. Interlocking
 - d. Cost

5. The document in writing adopted by trade associations or by the under takings following the uniform costing is called.
 - a. Cost control manual
 - b. Uniform cost manual
 - c. Uniform manual
 - d. Comparative manual

6. The undertaking manufacturing the same type of products can adopt.
 - a. Inter firm comparison
 - b. Activity costing
 - c. Uniform Budgeting
 - d. Uniform costing.

7. Separate ledger for cost accounts and financial accounts are contained in.
 - a. Integrated accounting
 - b. Non-Integrated accounting
 - c. Interlocking of accounts
 - d. Uniform costing.

8. The technique used in evaluation of performance, efficiency, costs, profits etc. of firms producing same type of products is called.
 - a. Inter firm comparison
 - b. Uniform costing
 - c. Efficiency audit
 - d. Propriety Audit

9. In transport costing _____ will not be in direct proportion to kilometer run.
- Operating expenses
 - Standing expenses
 - Running expenses
 - Direct expenses.
10. Maintenance of _____ accounts avoids duplication of efforts and reconciliation of cost and financial accounts is not required.
- Financial
 - Cost
 - Integrated
 - interlocking
11. Uniform Costing _____.
- Does not remove cut throat competition.
 - Removes cut throat competition.
 - Does not provide a reliable data.
12. The balance on finished goods Ledger control A/C represents _____.
- Cost of goods remaining unsold.
 - Cost of goods sold out.
 - Cost of WIP.
13. Finished stock intended for sale is entered in _____
- Cost Ledger
 - Finished goods ledger
 - Stores Ledger.
14. Classification of cost as fixed and variable is of special importance in _____
- Process costing
 - Unit Costing
 - Operating Costing
15. Garage rent is _____
- Fixed Cost
 - Running Cost
 - Semi Variable Cost.

THEORY QUESTION

1. What do you understand by operation costing? In what industries is this costing applied? April, 2007, Nov'08
2. Explain in brief provision of companies Act, 1956 relating to maintenance of cost record for Materials and Overheads Charges. Apr'08, Nov'05
3. Advantage of Cost Accounting Systems. Nov'05, Nov'07

4. Features of Operating Costing Nov'09, Nov'13
5. State any five demerits of uniform costing. Nov'10
6. State the essential points to be considered for inter firm comparison Nov'10
7. State and explain in brief any five ratio which are considered for inter firm comparison Nov'10
8. State the characteristics of operating costing. Nov'10
9. Objectives of operating costing Nov'11, Nov'12, Nov'13
10. State the objective of inter-firm comparison Nov'11, Nov'12, Nov'13
11. Advantages of uniform costing Nov'11, Nov'12
12. Define uniform costing and state the important features of uniform costing. Nov'11
13. Integrated v/s Non-integrated system of accounting. Nov'12

