

Questions for Practice

Process Costing

1.

A product passes through three processes— A, B and C. 10,000 units at a cost of ₹1.10 were issued to Process A. The other direct expenses were as follows:

	PROCESS-A	PROCESS-B	PROCESS-C
Sundry materials	1,500	1,500	1,500
Direct labour	4,500	8,000	6,500
Direct expenses	1,000	1,000	1,503

The wastage of process 'A' was 5% and in process 'B' 4%

The wastage of process 'A' was sold at ₹0.25 per unit and that of 'B' at ₹ 0.50 per unit and that of C at ₹ 1.00.

The overhead charges were 160% of direct labour. The final product was sold at ₹10 per unit fetching a profit of 20% on sales. Find out the percentage of wastage in Process 'C'

Answer (Transfer to Process-B A/c Units- 9500, Amount- 25075 , Transfer to Process-C A/c Units- 9120 Amount- 48,185 ,Transfer to Finished Stock A/c Unit- 8424 Amount- 67,392)

2.

From the following information prepare process account.

OPENING STOCK		DEGREE OF COMPLETION
800 Units @ ₹6 per unit	₹ 4,800	Material I - 100% Material II - 60% Labour & Overheads 40%
Transfer from Process NO - I 12,000 units costing	₹16,350	
Transfer to next process	9,700 units	
Normal process loss	10%	
Closing stock	1,800 units	

Degree of Completion: For units scrapped:- Material 100% Labour and Overheads 50%.

For closing stock: Material 60%; Labour and overheads 50%

Scrap realized Re.1.00 per unit

Other information: Material ₹10,500; Labour ₹20,760; Overheads ₹16,670

(Transfer to Next Process A/c Unit-9700, Amount- 60,200)

3.

SM Ltd., furnished you the following information relating to process B for the month of October, 2017.

- (i) Opening work-in-progress- NIL
- (ii) Units introduced - 10,000 units @ ₹3 per unit
- (iii) Expenses debited to the process; Direct materials ₹14,650; Labour ₹21,148; Overheads ₹ 42,000
- (iv) Finished output - 9,500 units
- (v) Closing work-in-progress 350 units; Degree of completion : Material 100%; Labour and overheads 50%
- (vi) Normal loss in process- one percent of input
- (vii) Degree of completion of abnormal loss: Material 100% ; Labour and Overheads 80%
- (viii) Units scrapped as normal loss were sold at ₹1 per unit
- (ix) All the units of abnormal loss were sold at ₹2.50 per unit.

Prepare:

- (a) Statement of Equivalent Production
- (b) Statement of Cost
- (c) Process - B Account
- (d) Abnormal Loss Account

Total Cost= 2712.50, Value of Abnormal Loss=485, Transfer to Next Process Unit= 9500, Amount= 1,04,500

4.

Illustration 10: Prepare the statement of equivalent production, statement of cost, statement of evaluation and process account using average cost method:

(i) Opening work-in-progress: 500 units	
Material	27,000
Labour	8,000
Overheads	12,500
	<hr/>
	47,500
(ii) Cost incurred during January, 2019	
Input of materials (14,000 units)	5,74,750
Labour	1,19,300
Overheads	1,78,450
(iii) Process Loss:	
Normal loss: 10% of opening WIP and input	
Value of scrapped unit: 10 each	
Actual loss during January, 2019: 1,500 units	
Degree of completion: Materials 100%, Labour and Overheads 60%	
(iv) Closing work-in-progress: 1,000 units	
Degree of completion: Materials 100%, Labour and Overheads 70%	
(v) Processed units transferred to Process II: 12,000 units during January, 2019.	

[B.Com(H), Delhi Univ., 2012]

Closing WIP Units= 1000, Amount=62,500 Process II Transferred Units=12,000, Amount= 8,40,000

5.

- (i) Opening Work-in-progress: 800 Units at a cost of ₹ 4,000.
- (ii) The degree of completion of opening work-in-progress:
- | | |
|-----------|------|
| Materials | 100% |
| Labour | 60% |
| Overheads | 60% |
- (iii) Input of materials at total cost of ₹ 36,800 for 9,200 units.
- (iv) Direct Wages incurred ₹ 16,740.
- (v) Production overheads ₹ 8,370.
- (vi) Units scrapped : 1,200 units. The stage of completion of these units was: Material 100%, Labour 80%, Overheads 80%.
- (vii) Closing work-in-progress: 900 Units. The stage of completion of these units was: Material 100%, Labour 70%, Overheads 70%.
- (viii) 7,900 units were completed and transferred to the next process.
- (ix) Normal Loss: 8% of the total input (opening stock plus units put into the process).
- (x) Scrap value is ₹ 4 per unit.
- You are required to:
1. Compute equivalent production
 2. Calculate cost per equivalent unit
 3. Calculate the cost of abnormal loss (or gain), closing work-in-progress and units transferred to the next process using FIFO method.
 4. Show the Process Account for Dec. 2018
- [CA. Inter May, 1990, B.Com (H) Delhi Univ., 2007; 2015(SOL)]

Abnormal Loss Units=400, Amount=2560 Transfer to Process II Units= 7900, Amount=54,660

6.

- (1) Opening work-in-progress available at Process X for August 2011 :
8,000 units
- Degree of completion and cost:
- | | |
|-----------------|----------|
| Material (100%) | ₹ 63,900 |
| Labour (60%) | ₹ 10,800 |
| Overheads (60%) | ₹ 5,400 |
- (2) Input 1,82,000 units at ₹ 7,56,900
- (3) Labour paid ₹ 3,28,000
- (4) Overheads incurred ₹ 1,64,000
- (5) Units scrapped 14,000
- Degree of completion :
- | | |
|---------------------|------|
| Material | 100% |
| Labour and overhead | 80% |
- (6) Closing work-in-process 18000 units
- Degree of completion:
- | | |
|---------------------|------|
| Material | 100% |
| Labour and overhead | 70% |
- (7) 1,58,000 units were completed and transferred to next process.
- (8) Normal loss is 8% of total input including opening work-in-process
- (9) Scrap value is ₹. 8 per unit to be adjusted in direct material cost
- You are required to compute, assuming that average method of inventory is used:
- (i) Equivalent production, and
- [IPCC, ICAI]

Cost per Unit= 7 , Material equivalent Unit= 1,74,800 Labour and O/Hs equivalent unit= 1,69,400