

**Chapter-wise Test (1009)**  
**Process Costing**

**Instructions**

- All questions are compulsory.
- Test Duration will be one hour and 10 minutes, starting from 11:00 AM to 12:10 PM
- 5 minutes of reading time will be provided before 11, i.e. question paper will be shared by 10:55 AM.
- Share your scanned answer sheets by 12:15 on the below link  
<https://forms.gle/wLRZWiTvMELNpCeC6>

1. Following information is available regarding Process-I of a manufacturing company for the month of February:

**Production Record:**

Units in process as on 1 <sup>st</sup> February	8,000
(All materials used, 1/4 <sup>th</sup> complete for labour and overhead)	
New units introduced	32,000
Units completed	28,000
Units in process as on 28 <sup>th</sup> February	12,000
(All materials used, 1/3 <sup>rd</sup> complete for labour and overhead)	

**Cost Records:**

Work-in-process as on 1 <sup>st</sup> February	( )
Materials	1,20,000
Labour	20,000
Overhead	20,000
	1,60,000
Cost during the month:	
Materials	5,12,000
Labour	3,00,000
Overhead	3,00,000
	9,12,000



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 11,12,000
 

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Presuming that average method of inventory is used, PREPARE the following:

- (i) Statement of equivalent production.
- (ii) Statement showing cost for each element.
- (iii) Statement of apportionment of cost.
- (iv) Process cost account for Process-I.

**(10 Marks)**

2. KT Ltd. produces a product EMM which passes through two processes before it is completed and transferred to finished stock. The following data relate to May 2019:

Particulars	Process		Finished stock (Rs.)
	A (Rs.)	B (Rs.)	
Opening Stock	5,000	5,500	10,000
Direct Materials	9,000	9,500	
Direct Wages	5,000	6,000	
Factory Overheads	4,600	2,030	
Closing Stock	2,000	2,490	5,000
Inter-process profit included in opening stock		1,000	4,000

Output of Process A is transferred to Process B at 25% profit on the transfer price and output of Process B is transferred to finished stock at 20% profit on the transfer price. Stock in process is valued at prime cost. Finished stock is valued at the price at which it is received from Process B. Sales during the period are Rs. 75,000.

Prepare the Process cost accounts and Finished stock account showing the profit element at each stage.

**[7 MAarks]**

3. N Ltd. produces a product which passes through two processes – Process – I and Process-II. The company has provided following information related to the Financial Year 2021-22:

	Process-I	Process -II
Raw Material @ ` 65 per unit	6,500 units	-
Direct Wages	` 1,40,000	` 1,30,000
Direct Expenses	30% of Direct Wages	35% of Direct Wages

Manufacturing Overheads	₹ 21,500	₹ 24,500
Realisable value of scrap per unit	₹ 4.00	₹ 16.00
Normal Loss	250 units	500 units
Units transferred to Process-II / finished stock	6,000 units	5,500 units
Sales	-	5,000 units

There was no opening or closing stock of work-in progress. You are required to prepare:

- (i) Process-I Account
- (ii) Process -II Account
- (iii) Finished Stock Account**

**[8 Marks]**

4. Arnav Ltd. manufactures chemical solutions used in paint and adhesive products. Chemical solutions are produced in different processes. Some of the processes are hazardous in nature which may result in fire accidents.

At the end of the last month, one fire accident occurred in the factory. The fire destroyed some of the paper files containing records of the process operations for the month.

You being an associate to the Chief Manager (Finance), are assigned to prepare the process accounts for the month during which the fire occurred. From the documents and files of other sources, following information could be retrieved:

Opening work-in-process at the beginning of the month was 500 litres, 80% complete for labour and 60% complete for overheads. Opening work-in-process was valued at ₹2,78,000.

Closing work-in-process at the end of the month was 100 litres, 20% complete for labour and 10% complete for overheads.

Normal loss is 10% of input (fresh) and total losses during the month were 800 litres partly due to the fire damage.

Output transferred to finished goods was 3,400 litres.

Losses have a scrap value of ₹20 per litre.

All raw materials are added at the commencement of the process.

The cost per equivalent unit is ₹660 for the month made up as follows: Raw Material ₹300 Labour ₹200 Overheads ₹160

The company uses FIFO method to value work-in-process and finished goods. The following information are required for managerial decisions:

- i. How much quantity of raw material introduced during the month?
  - A. 4,300 Litres
  - B. 3,500 Litres

- C. 4,200 Litres
  - D. 3,800 Litres
- ii. The Quantity of normal loss and abnormal loss are:
- A. Normal loss- 380 litres & Abnormal loss- 420 litres
  - B. Normal loss- 350 litres & Abnormal loss – 450 litres
  - C. Normal loss- 430 litres & Abnormal loss – 370 litres
  - D. Normal loss- 420 litres & Abnormal loss – 380 litres.
- iii. Value of raw material added to the process during the month is:
- A. 10,10,000
  - B. 10,33,600
  - C. ` 10,18,400
  - D. ` 10,20,000
- iv. Value of labour and overhead in closing Work-in-process are:
- A. `4,000 & `1,600 respectively
  - B. 20,000 & `16,000 respectively
  - C. `16,000 & `9,000 respectively
  - D. `13,200 & `6,600 respectively
- v. Value of output transferred to finished goods is:
- A. 22,57,200
  - B. ` 20,06,400
  - C. ` 22,44,000
  - D. `19,27,200

**[10 Marks]**