

Test Duration: 36 mins (+ 4 mins reading time)

Maximum Marks: 20 marks

**Que 1**

TEE Ltd. is a manufacturing company having three production departments 'P', 'Q' and 'R' and two service departments 'X' and 'Y' details pertaining to which are as under:

	P	Q	R	X	Y
Direct wages (₹)	5,000	1,500	4,500	2,000	800
Working hours	13,191	7,598	14,995	-	-
Value of Machines	1,00,000	80,000	1,00,000	20,000	50,000
H.P. of Machines	100	80	100	20	50
Light Points (Nos)	20	10	15	5	10
Floor Space (sq. ft.)	2,000	2,500	3,500	1,000	1,000

The expenses are as follows:

Rent and Rates	10,000
General Lighting	600
Indirect Wages	3,450
Power	3,500
Depreciation on Machines	70,000
Sundries (apportionment on the basis of direct wages)	13,800

The expenses of Service Departments are allocated as under :

	P	Q	R	X	Y
X	45%	15%	30%	-	10%
Y	35%	25%	30%	10%	-

Product 'A' is processed for manufacture in Departments P, Q and R for 6, 5 and 2 hours respectively.

Direct Costs of Product A are :

Direct Material Cost is ₹ 65 per unit and Direct Labour Cost is ₹ 40 per unit

You are required to:

- (i) Prepare a statement showing distribution of overheads among the production and service departments.
- (ii) Calculate recovery rate per hour of each production department after redistributing the service departments costs.
- (iii) Find out the Total Cost of a 'Product A'.

**(10 marks)**

**Que 2**

A Machine costing Rs. 10 Lakhs was purchased on 1st April. The expected life of the Machine is 10 years. At the end of this period, its scrap value is likely to be Rs. 10,000. The Total Cost of all Machines including new one was Rs. 90 Lakhs. Dep on SLM Basis. The other information is given as follows -

- i. Working Hours of the Machine for the year was 4,200 including 200 setup hours. No electricity is used during setup time.
- ii. Repairs and Maintenance for the new Machine during the year was Rs. 5,000.
- iii. Insurance Premium was paid for all the Machine Rs. 9,000.
- iv. New Machine consumes 8 units of electricity per hour, the rate per unit being Rs. 3.75 per KWH
- v. The new Machine occupies 1/10th of the area of the department. Rent of the department is Rs. 2,400 per month.

Compute the Machine Hour Rate for the new Machine.

**(5 marks)**

**Que 3**

PQR Manufacturers, a small-scale enterprise, produces a single product and has adopted a policy to recover the production overheads of the factory by adopting a single blanket rate based on machine hours. The budgeted Production Overheads of the Factory are Rs. 10,08,000 and Budgeted Machine Hours are 96,000.

For a period of first six months of the financial year, following information were extracted from the books:

- Actual Production Overheads Rs. 6,79,000
- Amount included in the Production Overheads:
  - Paid as per Court's order Rs. 45,000
  - Expenses of previous year booked in current year Rs. 10,000
  - Paid to workers for strike period under an award Rs. 42,000
  - Obsolete Stores written off Rs. 18,000

Production and sales data of the concern for the first six months are as under:

Production: Finished Goods 22,000 units

Work-in-Progress (50% complete in every respect) 16,000 units

Sales: Finished Goods 18,000 units

The actual machine hours worked during the period were 48,000 hours. It is revealed from the analysis of information that 75% of the under-absorption was due to defective production policies and the balance was attributable to increase in costs.

You are required to

- (a) Determine amount of under-absorption of Production Overheads for the period
- (b) Show the accounting treatment of under-absorption of Production Overheads

**(5 marks)**