

Subject: Advanced Cost Accounting

Class: Mcom II Sem

Topic Name: Process Accounting

Q1. In Apurva Co. Ltd. a product passes through three different processes. You are required to prepare process accounts from the following information :

Particulars	Total	Process I	Process II	Process III
Materials	30,168	10,400	7,920	11,848
Wages	36,000	8,000	12,000	16,000
Production Overhead	72,000	-	-	-

Raw material 2,000 units @ 60 per units were introduced in process Ist. Production overhead to be distributed as 200% on labor. Other information is as under:

Process	Actual output units	Normal loss	Sale value of Normal loss per unit
Process Ist	1900	5%	80
Process IInd	1680	10%	100
Process IIIrd	1500	15%	120

Ans:-

In the books of Apurva

Process I Account

Particulars	Units	Amt(₹)	Particulars	Units	Amt(₹)
To Raw Material	2,000	1,20,000	By Normal Loss	100	8,000
To Material		10,400	5%	1,900	1,46,400
To Labour		8,000	By production		
To Production overhead		16,000	Transfer to II process		
	2,000	1,54,400		2,000	1,54,400

Process II Account

Particulars	Units	Amt(°)	Particulars	Units	Amt(°)
To Transfer from I	1,900	1,46,400	By Normal Loss 10%	190	19,000
To Material		7,920	By Abnormal Loss	30	3,006
To Labour		12,000	By production Transfer to III process	1,680	1,68,314
To Production overhead		24,000			
	1,900	1,90,320		1,900	1,90,320

Cost of abnormal loss = $1,90,320 - 19,000 = 1,71,320$ $1,71,320 / 1,710 \times 30 = 3,006$

Process III Account

Particulars	Units	Amt(°)	Particulars	Units	Amt(°)
To Transfer from I	1,680	1,68,314	By Loss in weight 15%	252	30,240
To Material		11,848	By production Transfer to Godown	1,500	2,07,901
To Labour		16,000			
To Production overhead		32,000			
To abnormal Gain	72	9,979			
	1,752	2,38,141		1,752	2,38,141

Cost of abnormal gain = $2,38,141 - 30,240 = 1,97,922$ $1,97,922 / 1,428 \times 72 = 9,979$

Q2. In an Oil Refinery the product passes through three different processes. Following information is available for the month of Jan.2009.

Particulars	Crushing	Refining	Finishing
Raw Material 500 Kg	2,25,000	-	-
Wages	8,000	5,900	5,875
Power	1,200	1,000	1,500
Sundry Material	5,000	1,900	-
Factory exp.	600	1,000	950

From Crushing Process-200 Kg of cakes were sold for ` 15,000 and 275 Kg of crude oil were obtained. Sundry by product of crushing process fetched Rs. 900. By product obtained from refining process was 20 Kg and sold for `900. 250 Kg of refined oil were obtained. 240 Kg of finished oil were stored in drum and 10 kg. were sold for ` 1,200.

Establishment expenses for the period amounted to ` 3,500 which are to be charged to three processes in the proportion of 3:2: 2 respectively.

Prepare process accounts.

Ans:- Process Crushing Account

Particulars	Units	Amt(₹)	Particulars	Units	Amt(₹)
To Raw Material	500	2,25,000	By Sale of Scrap	200	15,000
To Wages		8,000	By Product	-	900
To Power		1,200	By loss in weight	25	-
To Sundry Material		5,000	By production	275	2,25,400
To Factory exp.		600	Transfer to refining process		
To Establishment Exp.		1,500			
	500	2,41,300		500	2,41,300

Process Refining Account

Particulars	Units	Amt(₹)	Particulars	Units	Amt(₹)
To Transfer from Crushing	275	2,25,400	By Sale of Scrap	-	-
To Wages		5,900	By Product	20	900
To Power		1,000	By loss in weight	5	-
			By production		

To Sundry Material		1,900	Transfer to refining process		
To Factory exp.		1,000		250	2,35,300
To Establishment Exp.		1,000			
	275	2,36,200		275	2,36,200

Process Finishing Account

Particulars	Units	Amt(₹)	Particulars	Units	Amt(₹)
To Transfer from Refining	250	2,35,300	By sold	10	1,200
To Wages		5,875	By store in drum	240	2,43,425
To Power		1,500			
To Factory exp.		950			
To Establishment Exp.		1,000			
	250	2,44,625		250	2,44,625