



H



6:22 PM



Amit IPCC COST...



Waah great 8:33 PM ✓✓

Hmm 8:35 PM

<https://m.youtube.com/watch?v=yeGji592tTY&feature=youtu.be>

10:01 PM

MARCH 20, 2017

Ok 5:08 PM ✓✓

TODAY

Sir Red light approach of understanding integrated chapter worked today. I solved questions quickly with the help of it. Sir thanks, all questions were from your costing book. Thanks a lot sir.

6:18 PM

My pleasure... Share your marks also.

6:19 PM ✓✓



Type a message



BREAKING NEWS **CA/CS/CMA IPCC INTER**



COSTING
BY
**CA PURUSHOTTAM
AGGARWAL**

NEW BATCH STARTING SOON

**ADD: 1/53, 3RD FLOOR, LALITA PARK
LAXMINAGAR, DELHI-92**

CALL: 9582808296

Solution to Cost Paper of CA IPCC COST – MAY 2017

Solution to Question 1 (a)

Average no. of workers on roll during the year

1. Labour turnover rate under replacement method = $\frac{\text{No. of replacements}}{\text{Average number of workers on roll}} \times 100$

$$10\% = \frac{50}{\text{Avg no. of workers on roll}} \times 100$$

Avg. No. of workers on roll = 500

2. Number of workers left and discharged

$$\text{Labour turnover rate under separation method (5\%)} = \frac{\text{No. of separations}}{\text{Avg. no. of workers on roll (500)}} \times 100$$

No. of separations = 25

3. No. of workers recruited and joined

$$\text{Labour turnover rate under flux method (20\%)} = \frac{S (25) + \text{Accession}}{\text{Avg. no. of workers on roll (500)}} \times 100$$

No. of accessions = 75

Solution to Question 1 (b)

Calculation of Fixed Overhead Variances – Case 3 (When budgeted and Actual Days are given)

Output absorbed OH	Input absorbed OH	Possible OH	Budgeted OH	Actual OH
= Actual O/P x budgeted Fixed OH p.u. = 22,000 units x Rs. 1.50 p.u. = 33,000	= Actual Hrs. x budgeted FOH per hr. = 31,500 hours x Rs. 1 = 31,500	= Possible O/P x budgeted Fixed OH p.u. = 21600 units x Rs. 1.50 p.u. = Rs. 32,400	Rs. 30000	Rs. 31000
F1	F2	F3	F4	F5

$$\text{Budgeted FOH per unit} = \frac{\text{Budgeted Overhead cost}}{\text{Budgeted output}} = \frac{\text{Rs. 30,000}}{20000 \text{ units}} = \text{Rs. 1.50 per unit}$$

Possible O/P (Expected Output in actual days) = Actual Days x Std. O/P in 1 day

$$= 27 \text{ Days} \times \frac{\text{Total standard Output}}{\text{Total standard Days}} = 27 \text{ Days} \times \frac{20000 \text{ units}}{25 \text{ days}} = 21,600 \text{ units}$$

Calculation of Fixed Overhead Variances

F.O. Efficiency Variance = F1 – F2 = 33,000 – 31,500 = 1500 (F)

F.O. Capacity Variance = F2 – F3 = 31,500 – 32,400 = 900 (A)

F.O. Calendar variance = F3 – F4 = 32,400 – 30,000 = 2400 (F)

F.O. Volume Variance = F1 – F4 = 33,000 – 30,000 = 3,000 (F)

F.O. Expenditure Variance = F4 – F5 = 30,000 – 31,000 = 1,000 (A)

Solution to Question 2 (a)

Process “XM” A/c

Particulars	Cost (Rs.)	Profit (Rs.)	Total (Rs)	Particulars	Cost (Rs.)	Profit (Rs.)	Total (Rs)
To Op. Stock	30,000	---	30,000	By Process YM A/c	5,92,000	1,48,000	7,40,000
To Material	1,60,000	---	1,60,000				
To Wages	2,50,000	---	2,50,000	-			
Prime Cost	4,40,000		4,40,000				
Less: Closing Stock	(40,000)		(40,000)				
Net Bal.	4,00,000		4,00,000	-			
To Mfd OH	1,92,000		1,92,000				
Total Cost	5,92,000		5,92,000				

To Costing P&L A/c (25% on cost)	-	1,48,000	1,48,000				
	5,92,000	1,48,000	7,40,000		5,92,000	1,48,000	7,40,000

Statement to calculate profit % on cost

Particulars	Process XM	Process YM	Process ZM
Transfer Price / Selling Price (Rs.)	100 (Assumed)	100 (Assumed)	100 (Assumed)
Less Profit (Rs.)	20 (20% on Transfer price)	20 (20% on Transfer price)	25 (25% on Transfer price)
Cost (Rs.)	80 (Bal)	80 (Bal)	75 (bal)
% of profit on cost (A)	$\frac{20}{80} \times 100 = 25\%$	$\frac{20}{80} \times 100 = 25\%$	$\frac{25}{75} \times 100 = 33.33\%$
Cost for Process (Rs.) – Total column figure (B)	5,92,000	12,20,000	19,44,000
Profit (B x A)	1,48,000	3,05,000	6,48,000

Process “YM” A/c

Particulars	Cost (Rs.)	Profit (Rs.)	Total (Rs)	Particulars	Cost (Rs.)	Profit (Rs.)	Total (Rs)
To Opening Stock (Given profit)	46,000	8,000	54,000	By Process ZM A/c	10,72,758	4,52,242	15,25,000
To Process “XM” A/c	5,92,000	1,48,000	7,40,000				
To Material	1,30,000	--	1,30,000				
To Wages	2,16,000	--	2,16,000	-			
Prime Cost	9,84,000	1,56,000	11,40,000				
Less: Closing Stock (Cost = 64,000 x $\frac{9,84,000}{11,40,000}$)	(55,242)	(8,758)	(64,000)				
Net Balance	9,28,758	1,47,242	10,76,000	-			
To Mfd OH	1,44,000	--	1,44,000				
Total Cost	10,72,758	1,47,242	12,20,000				
To Costing P&L A/c (25% on cost)	--	3,05,000	3,05,000				
	10,72,758	4,52,242	15,25,000		10,72,758	4,52,242	15,25,000

Process “ZM” A/c

Particulars	Cost (Rs.)	Profit (Rs.)	Total (Rs)	Particulars	Cost (Rs.)	Profit (Rs.)	Total (Rs)
To Opening Stock	60,000	20,000	80,000	By Finished goods A/c	14,91,258	11,00,742	25,92,000
To Process “YM” Account	10,72,758	4,52,242	15,25,000				
To Material	1,00,000	--	1,00,000				
To Wages	1,84,000	--	1,84,000				
Prime Cost	14,16,758	4,72,242	18,89,000				
Less: Closing	(58,500)	(19,500)	(78,000)				

Stock (Cost = 78,000 x 14,16,758) 18,89,000)							
Balance	13,58,258	4,52,742	18,11,000				
To Mfd OH	1,33,000	--	1,33,000				
Total Cost	14,91,258	4,52,742	19,44,000				
To Costing P&L A/c (33.33% on cost)	--	6,48,000	6,48,000				
	14,91,258	11,00,742	25,92,000		14,91,258	11,00,742	25,92,000

Finished Stock A/c

Particulars	Cost (Rs.)	Profit (Rs.)	Total (Rs)	Particulars	Cost (Rs.)	Profit (Rs.)	Total (Rs)
To Opening Stock	50,000	40,000	90,000	By Sales A/c	7,41,895	6,58,105	14,00,000
To Process "ZM" Account	14,91,258	11,00,742	25,92,000				
Prime Cost	15,41,258	11,40,742	26,82,000				
Less: Closing Stock (Cost = 1,00,000 x 15,41,258) 26,82,000)	(57,468)	(42,532)	(1,00,000)				
Net balance	14,83,790	10,98,210	25,82,000				
To costing P&L A/c (Profit)		2,18,000	2,18,000				
	14,83,790	13,16,210	28,00,000		14,83,790	13,16,210	28,00,000

Solution to Question 3 (a)

- (i) Number of units by selling which the company will neither lose or nor gain anything is

$$\text{Break Even Points (in Units)} = \frac{\text{Fixed Cost}}{\text{Contribution per unit}} = \frac{\text{Rs.3,60,000}}{\text{Rs.7.50 per unit}} = 48000 \text{ units}$$

Total contribution = Total Sales – Total variable cost (Material +Labour +Variable overheads)

$$= \text{Rs. } 20,00,000 - (8,00,000+4,00,000+2,00,000)$$

$$= \text{Rs. } 6,00,000$$

$$\text{Contribution per unit} = \frac{\text{Total contribution}}{\text{Total Sales units}} = \frac{\text{Rs.6,00,000}}{80000 \text{ units}} = \text{Rs. 7.50 per unit}$$

$$(ii) \quad \text{Desired Sales (in units)} = \frac{\text{Fixed Cost} + \text{Profit}}{\text{Contribution per unit}}$$

$$X \text{ Units (Assumed)} = \frac{\text{Rs.360000} + \text{Rs.}x \times \text{Rs.25} \times 20\%}{7.50}$$

On Solving we get Desired Sales units (X) = 144000 units

Desired Sales (Rs) = Units x selling price p.u. = 144000 units x Rs. 25 = 36,00,000

(iii) When selling price is reduced by 20%

New selling price = Rs. 25 x 80% = Rs. 20

New contribution per unit = 20 – 17.50 = 2.50 p.u.

$$\text{Desired Sales units} = \frac{\text{Fixed Cost} + \text{Profit}}{\text{Contribution per unit}} = \frac{360000 + 240000}{2.50} = 240000 \text{ units}$$

Extra units to sold to maintain present profit = 240000 units – 80000 units = 160000 units

When selling price is reduced by 25%

New selling price = Rs. 25 x 75% = Rs. 18.75

New contribution per unit = 18.75 – 17.50 = 1.25 p.u.

$$\text{Desired Sales units} = \frac{\text{Fixed Cost} + \text{Profit}}{\text{Contribution per unit}} = \frac{360000 + 240000}{1.25} = 480000 \text{ units}$$

Extra units to sold to maintain present profit = 480000 units – 80000 units = 400000 units

$$(iv) \quad \text{Break Even Points (in Units)} = \frac{\text{Fixed Cost}}{\text{Contribution per unit}}$$

$$10,000 \text{ units} = \frac{360000}{\text{Selling price} - 17.50}$$

On solving we get, selling price = Rs. 53.50

Solution to Question 4 (a)

Following table is for understanding Journal Entries and for ease of solving questions.

	Rs.	Concept No.	Debit	Credit
Stores	Rs.			
Opening Balance	90,000	9	Opening bal. shown on debit side	
Purchase of Material	4,80,000	5	Stores ledger control A/c	GLA A/c
Transfer from WIP (Return from factory to stores)	2,40,000	5	Stores ledger control A/c	WIP Ledger control A/c

Issues to WIP (TF from stores to Factory)	4,80,000	5	WIP Ledger control A/c	Stores ledger control A/c
Issues to Repairs	60,000	5	Factory OH control A/c	Stores ledger control A/c
Deficiencies found in stock	18,000	10 Abnormal loss	Costing P&L A/c	Stores ledger control A/c
Work-In-Progress:				
Opening Balance	1,80,000	9	Opening bal. shown on debit side	
Direct wages applied	1,80,000	6	WIP Ledger control A/c	Wages control A/c
Overheads charged	7,20,000	8	WIP Ledger control A/c	Factory OH control A/c
Closing Balance of WIP	1,20,000	9		Closing balance shown on credit side
Entire output is sold at a profit of 10% on Actual Cost from WIP = Rs.12,00,000 x 1.10 = 13,20,000		3	GLA A/c	Costing P&L A/c
Wages paid	2,10,000	6	Wages control A/c	GLA A/c
Overhead incurred	7,50,000	8	Factory OH Control A/c	GLA A/c

Special Note:- This Solution is made assuming "Deficiency found in stock" as abnormal loss. PI Note answer would be different if it is assumed as normal loss as per concept No. 10

Stores ledger control A/c

Particulars	Amt	Particulars	Amt
To bal. b/d	90,000	By WIP Ledger control A/c (Material)	4,80,000
To GLA A/c	4,80,000	By works OH control A/c	60,000
To WIP Ledger control A/c	2,40,000	By costing P&L A/c (deficiency)	18,000
		By bal. c/d (DOB)	2,52,000
	810000		810000

Note:- DOB Rs. 2,52,000 as closing stock of stores as per Concept No. 9

Wages control A/c

Particulars	Amt	Particulars	Amt
To GLA A/c	2,10,000	By WIP Ledger control A/c	1,80,000
		By works OH control A/c (DOB)	30,000
	2,10,000		2,10,000

Note:- DOB Rs. 30000 as indirect wages for factory as per concept No. 6

Works OH control A/c

Particulars	Amt	Particulars	Amt
To stores ledger control A/c	60,000	By WIP ledger control A/c	7,20,000
To wages control A/c	30,000	By costing P&L A/c (DOB)	1,20,000
To GLA A/c	7,50,000		
	8,40,000		8,40,000

Note:- DOB Rs. 1,20,000 as under recovered of OH (Concept No. 4, Option No.2)

WIP Ledger control A/c

Particulars	Amt	Particulars	Amt
To bal. b/d	1,80,000	By stores ledger control A/c	2,40,000
To stores ledger control A/c	4,80,000	By FG ledger control A/c (DOB)	12,00,000
To wages control A/c	1,80,000	By balance c/d	1,20,000
To works OH control A/c	7,20,000		
	15,60,000		15,60,000

Note:- DOB Rs. 12,00,000 as TF from factory to Warehouse (Concept No.2)

FG Ledger control A/c

Particulars	Amt	Particulars	Amt
To WIP Ledger control A/c	12,00,000	By cost of Sales A/c (DOB)	12,00,000

Note:- DOB Rs. 12,00,000 as Actual cost of Sales (TF from warehouse to showroom) Concept No. 2

Cost of Sales A/c

Particulars	Amt	Particulars	Amt
To FG ledger control A/c	12,00,000	By costing P&L A/c (DOB)	12,00,000

Note:- DOB Rs. 12,00,000 – TF of actual cost of sales to Costing P&L A/c (Concept No. 2)

Costing P&L A/c

Particulars	Amt	Particulars	Amt
To stores ledger control A/c	18,000	By GLA A/c (12,00,000 Plus 10%)	13,20,000
To cost of sales A/c	12,00,000	By GLA A/c (DOB) (Loss)	18,000
To works OH control A/c	1,20,000		
	13,38,000		13,38,000

Note:- DOB as Rs. 18,000 as loss TF to GLA A/c

GLA A/c

Particulars	Amt	Particulars	Amt
To costing P&L A/c (Sales)	13,20,000	By bal. b/d (opening store + opening WIP)	2,70,000
To costing P&L A/c (Loss)	18,000	By stores ledger control A/c	4,80,000
To bal. c/d (DOB)	3,72,000	By wages control A/c	2,10,000
		By works OH control A/c	7,50,000
	17,10,000		17,10,000

Note:- DOB Rs. 3,72,000 as closing balance of GLA A/c

Solution to Question 5(a)

Cost Unit:- It is a unit of product, service or time (or combination of these) in relation to which costs is ascertained or expressed. It is unit of measurement. For example the cost of carrying a passenger in terms of km, cost of hotel room expressed as cost per room per day etc.

Cost Centre:- It is a location, person or an item of equipment (or group of these) for which cost is ascertained and used for the purpose of Cost Control. The main purpose of ascertaining cost centre is to control the cost and to fix responsibility of the person in charge of a cost centre.

Cost Centres are of two types,

1. **Personal Cost Centre:** It consists of a person or group of persons for example machine operator, salesman, driver of a delivery van.
2. **Impersonal Cost Centre:** It consists of a location or an item of equipment (or group of these) for example location of factory

Cost Centre in a manufacturing concern: Two main types of Cost Centres are indicated as below:

1. **Production Cost Centre:** It is a cost centre where raw material is handled for conversion into finished product. Here both direct and indirect expenses are incurred e.g. machine shops, welding shops and assembly shops etc.
2. **Service Cost Centre:** It is a cost centre which serves as an ancillary unit to a production cost centre e.g. dyeing department in a textile mill.

Solution to Question 5(b)

Essential Factors for installing a cost accounting system

1. **Objective:** The objective of costing system should be considered before installation. Whether to fix selling prices or control costs or both.
2. **Nature of Business:** The costing system, which is suitable to the business organisation, should be introduced.
3. **Organisational Hierarchy:** Costing system should fulfil the requirement of different level of management. Organisation structure should be studied to determine the manner in which costing system should be introduced.
4. **Knowing the product:** Nature of product determines the type of costing system to be implemented. The product which has by-products requires costing system which account for by-products as well. In case of perishable or short self- life, marginal costing method is required to know the contribution and minimum price at which it can be sold.
5. **Knowing the production process:** A good costing system can never be established without the complete knowledge of the production process. Cost apportionment can be done on the most appropriate and scientific basis if a cost accountant can identify degree of effort or resources consumed in a particular process.
6. **Method of maintenance of cost records:** The manner in which Cost and Financial accounts could be inter-locked into a single integral accounting system and in which results of separate sets of accounts, cost and financial, could be reconciled by means of control accounts.

Solution to Question 6(a)

Flexible Budget

Particulars	75% (Rs.)	100% (Rs)
-------------	-----------	-----------

Sales	2,40,00,000	3,20,00,000
<u>Variable Expenses</u>		
Materials	72,00,000	96,00,000
Labour	76,80,000	1,02,40,000
Others	11,40,000	15,20,000
Total Variable Expenses (A)	1,60,20,000	2,13,60,000
<u>Semi-variable Expenses</u>		
Maintenance & repairs	5,50,000	6,00,000
Indirect Labour	21,78,000	23,76,000
Sales Dept. Salaries	6,38,000	6,96,000
Sundry Administrative Expenses	5,72,000	6,24,000
Total Semi- variable Expenses (B)	39,38,000	42,96,000
Wages and Salaries	16,80,000	16,80,000
Rent, Rates and Taxes	11,20,000	11,20,000
Depreciation	14,00,000	14,00,000
Sundry Administrative Exp.	17,80,000	17,80,000
Total Fixed Expenses (C)	59,80,000	59,80,000
Profit (Sales – A – B – C)	(19,38,000)	3,64,000

Solution to Question 7(a)

PRINCIPLES TO BE FOLLOWED WHILE TAKING CREDIT FOR PROFIT ON INCOMPLETE CONTRACT

There are no hard and fast rules as to how much portion of profit on incomplete contract should be credited to Profit & Loss Account. However, the following principles may be followed:

1. The costs incurred upto date should be clearly identified.
2. The stage of contract performance completed should be reasonably estimated.
3. The costs to complete the contract should be reasonably estimated.
4. The total contract revenues to be received should be reliably estimated.
5. The work certified should be valued in terms of contract price and its value should be treated as contract revenue for the accounting period.
6. The uncertified work should be valued at cost and should be treated like closing inventory at the end of accounting period.

7. The notional profit on incomplete contract should be estimated as under:

Notional Profit = Value of Work Certified + Cost of Uncertified Work – Costs incurred to date.

8. The amount of profit to be credited to Profit and Loss Account can be calculated as under:

Statement showing the amount of Profit to be credited to Profit & Loss Account

Value of Work Certified....	Amount of Profit to be credited to Profit and Loss Account

(i) If less than 25% of the Contract Price	No Profit is taken into account. The entire amount is treated as reserve
(ii) If equal to or more than 25% but less than 50% of the Contract Price	$\frac{1}{3} \times \text{Notional Profit} \times \frac{\text{Cash Received}}{\text{Work Certified}}$
(iii) If equal to or more than 50% but less than 90% of the Contract Price	$\frac{2}{3} \times \text{Notional Profit} \times \frac{\text{Cash Received}}{\text{Work Certified}}$
(iv) If equal to or more than 90% of the Contract Price	The amount of profit to be credited to Profit & Loss A/c may be ascertained by adopting any of the following formula:
	(i) $\text{Estimated Total Profit} \times \frac{\text{Cash Received}}{\text{Contract Price}}$
	(ii) $\text{Estimated Total Profit} \times$
	$\frac{\text{Cost of Work to date}}{\text{Estimated Total cost}} \times \frac{\text{Cash Received}}{\text{Contract Price}}$

Notes : (i) Estimated Total Cost = Cost of Contract upto date + Costs to be incurred

(ii) Estimated Total Profit = Total Contract Price – Estimated Total Cost

Solution to Question 7(b)

	Basis	Cost Accounting	Management Accounting
1	Nature	It records the quantitative aspect only	It records both qualitative and quantitative aspect.
2	Objective	It records the cost of producing a product and providing a service	It Provides information to management for planning and co-ordination
3	Area	It only deals with cost Ascertainment.	It is wider in scope as it includes F.A., budgeting, Tax, Planning.
4	Recording of data	It uses both past and present figures.	It is focused with the projection of figures for future.
5	Development	It's development is related to industrial revolution.	It develops in accordance to the need of modern business world.
6	Rules and Regulation	It follows certain principles and procedures for recording costs of different products	It does not follow any specific rules and regulations.



The Best CA IPC



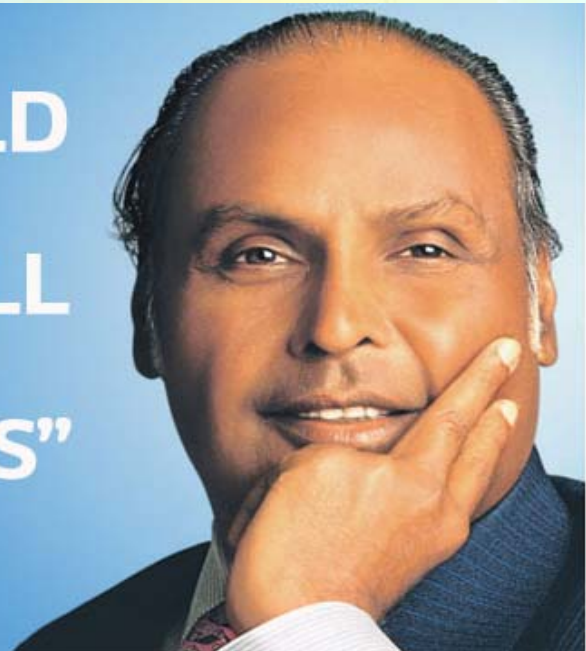
COST

FULL COMPREHENSIVE

THEORY BOOK FOR NOV. 2017

**“IF YOU DON'T BUILD
YOUR DREAM,
SOMEONE ELSE WILL
HIRE YOU TO HELP
THEM BUILD THEIRS”**

-Dhirubhai Ambani



**"MEETING THE DEADLINE IS NOT GOOD ENOUGH, BEATING THE DEADLINE IS
MY EXPECTATION"**

CA Purushottam Aggarwal

SIR WHATSAPP MOBILE NO. - 95 8280 8296

SIR Facebook ID - "purushottam.aggarwal.50"

SIR Email ID - "caplaggarwal@gmail.com"

**THIS THEORY BOOK OF
IPC COSTING
IS VERY COMPREHENSIVE BOOK
- COVERS ALL QUESTIONS FROM
STUDY MATERIAL, PM, RTP AND
PAST YEAR QUESTIONS.**

**ALL THEORY QUESTIONS HAS ALSO
BEEN CATEGORISED INTO 3
CATEGORY AS FOLLOWS:-**

CATEGORY A

CATEGORY B

CATEGORY C

**IN TERMS OF THEIR
IMPORTANCE**



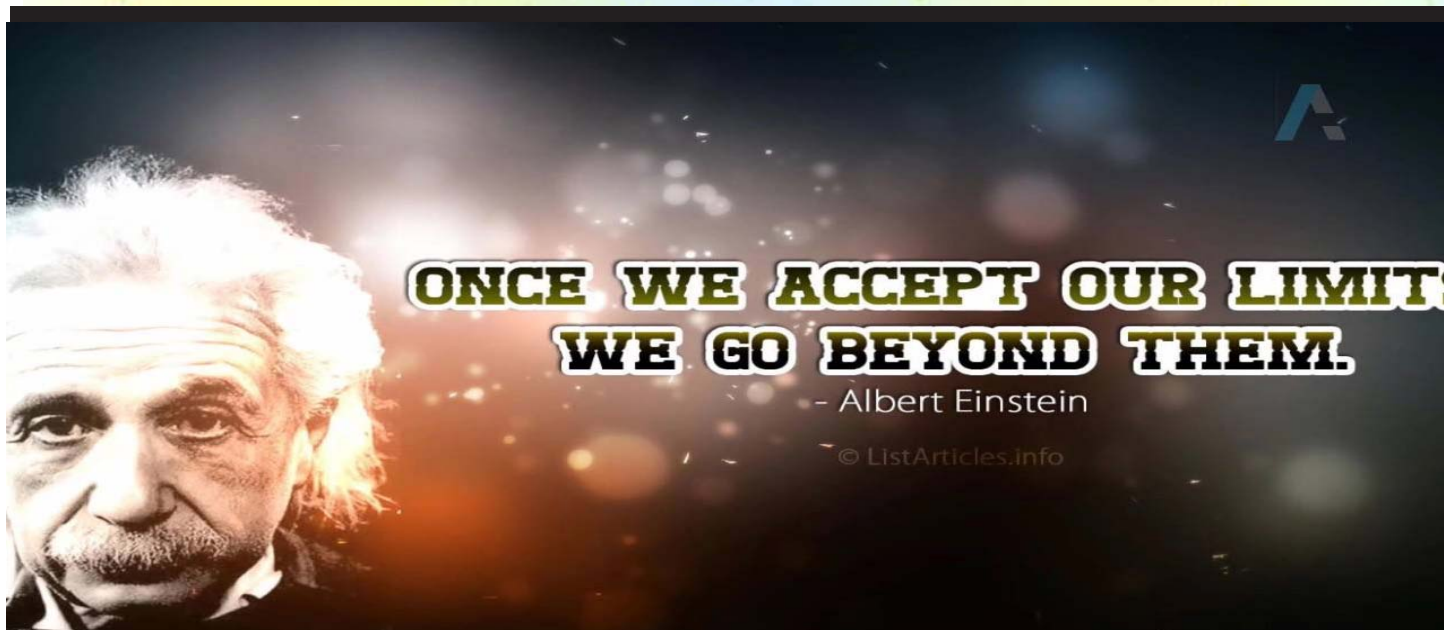
The Best CA IPC



COST

SUMMARY

THEORY BOOK FOR NOV. 2017



"Winners don't do different things, they do things differently"

CA Purushottam Aggarwal

SIR WHATSAPP MOBILE NO.:- 95 8280 8296

SIR FACEBOOK ID:- "purushottam.aggarwal.50"

SIR EMAIL ID:- "caplaggarwal@gmail.com"

**THIS SUMMARY
THEORY BOOK
OF
IPC COSTING
HAS BEEN DESIGNED
TO REVISE
ALL (100%) THEORY
QUICKLY
(ONLY IN 60 PAGES
APPROX)**

**UNDERSTANDING
100% CONCEPTS
WILL SURELY LEAD TO
GUARANTEED
SUCCESS**

**LEARNING TECHNIQUES
PLAY VERY
CRUCIAL ROLE
IN MEMORIZING
ALL FORMULAS QUICKLY**



WhatsApp



**Join our
WhatsApp
Group**

**NOW-A-DAYS ICAI KEEPS ON INCLUDING
NEW CONCEPTS, NEW QUESTIONS
AND EVEN SOMETIMES CHANGES THE
BASIC ASSUMPTIONS CONSIDERED
WHILE SOLVING QUESTIONS SO TO
REMAIN 100% UPDATED TILL YOU GET
SUCCESS IN CA IPCC, REGISTER YOUR-
SELF BY SENDING FOLLOWING
DETAILS AT 95828 08296**

Name:

Mobile No.:

Alternative Mobile No.:

E-mail Address:

Batch starting Month - Year :-

Exam Due:

City & Centre Name :-

Fees Paid: