

# Cost accounting problems assignment

Business



The following details are given in respect of manufacturing unit for the month of April 2005: a. Opening Work in Progress 5000 units Material (1 complete) Barbour (60% complete) Overheads(60% complete) 18, 750/- 7, 500/- 3, 750/- b. Units introduced in the process 17, 500 units c. 17, 500 units are transferred to the next process d. Process costs for the period are : Material 1, 95, 000/- overheads Labor 97, 500/- e. The stage of completion of units in closing W. I. P is estimated to be : Material 100%, Labor 50% and Overheads 50%.

You are required to prepare a statement of equivalent units of production. Also find the value of: Output transferred Closing Work in process using weighted average cost method. 6. Ashcan is just married and got a hefty cash gift from his father with a suggestion that he venture into some business of his own rather than work for somebody else. Accordingly, Ashcan plans to invest about ₹. 1 in some business. On consulting with his friends, he gets an idea that food business is the most profitable.

His friends also suggest that the ideal place for any business is lambi. Ashcan decides to make his own analysis of the situation. He zeroes in on two choices- lambi and Pine. He prefers Pine because his wife hails from Pine. In the process of hunting for information, Ashcan realizes that although lambi is Very vibrant, it is prohibitive in terms of set up costs. But this difficulty is offset to a certain extent by availability of cheap labor and ease of sourcing materials.

But he realizes that eating out as a concept is more likely to catch on in smaller towns and therefore any future prospects are brighter if he chooses

Pine. With all these in mind he sets out to make a rough estimate of likely costs and revenues which is reproduced below: Lambi Pine Rent 400, 000 Salary to staff 70, 000 License fee and other charges 20, 000 Depreciation on furniture and interiors 5, 000 He decided to calculate the unit variable costs as a function of number of plates served where again he makes an approximation for meals and snacks.

He makes a rough estimation of sales and costs as follows: Meals Snacks  
Sales mix 4 9 2 7 Unit Selling Price 27 17 Unit costs 18 11 21 12 After he collected the above details, he is not quite sure how he should proceed. He recollected vaguely about break even point but did not know how to use it. Please guide Ashcan on what he should do. Your report must cover the following: a. How many units Of sale must happen in Lambi to reek even? B. How many units in Pine? C.

Is the break even a sufficient indicator as to the choice of location in this case? D. What other information would Ashcan require if he is to make up his mind on a choice of location? With the existing information, can you come to any conclusion? 7. From the following information prepare a production budget and raw material budget for product “ Alpha” for the six month period January to June, 2005. A. Opening stock on hand 40, 000 units b. Expected closing stock at the end of each month is 25% of the next months’ sales. C.