

COST ACCOUNTING
B.com (Prog.) Semester IV
MANISHA
ASSISTANT PROFESSOR
DEPARTMENT OF COMMERCE

(5)

FORMAT OF ABNORMAL LOSS ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To Process A/c (write all those process A/c where we have incurred abnormal loss)	xxx	xxx	By Sale of scrap @ price per unit of normal wastage (if question is silent regarding price per unit of abnormal wastage)	xxx	xxx
			By costing Profit & Loss A/c (Balancing figure)		xxx
	xxx	xxx		xxx	xxx

FORMAT OF NORMAL LOSS ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To Process A/c (write all those process A/c where we have incurred normal loss)	xxx	xxx	By sale of scrap @ price per unit of normal wastage	*1 xxx	xxx
			By Abnormal gain @ price per unit of normal wastage	*2 xxx	xxx

Important points related to Normal Loss Account

*① How to calculate units of sale of scrap

(Input units - output units in a process account)

OR

Units of Normal wastage

Whichever is less, will be considered as units of sale of scrap in normal loss account.

*② If units of Normal wastage $>$ [Input units - output units in a process account]

then, the excess units will be considered as units of abnormal gain, to be credited to Normal loss account.

FORMAT OF ABNORMAL GAIN ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To Normal loss A/c	xxx	xxx	By Process A/c	xxx	xxx
To Costing Profit and loss A/c		xxx	(write all those process A/c where we have abnormal gain)		
(Balancing figure)					
	xxx	xxx		xxx	xxx

Unolved ques. No. 21 (Page No. 406) Book : Maheshwari & Mittal

Solution

PROCESS A ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To Input	10,000	10,000	By Normal Wastage @ Rs. 8 per 100 units	500	40
To Material		12,000			
To Direct labour		14,000	By Abnormal Loss @ Rs. 4.2063 per unit	100	421
To Manufacturing Expenses		4,000	By output transferred to process B	9400	39539
	10,000	40,000		10,000	40,000

$$\text{Cost per unit in process A} = \frac{\text{Total expenses incurred} - \text{value of Normal loss}}{\text{Total units of material} - \text{units of Normal loss}}$$

$$= \frac{40000 - 40}{10000 - 500} = \frac{39960}{9500} = 4.2063$$

$$\text{Cost per unit in process B} = \frac{57539 - 94}{9400 - 940} = \frac{57445}{8460} = 6.7902$$

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PROCESS B ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To input from process A	9400	39539	By Normal wastage @ Rs. 10 per 100 units	940	94
To Material		6000	By Abnormal loss @ 6.7902 per unit	160	1086
To Direct labour		8000			
To Manufacturing expenses		4000	By finished Goods Stock Account	8300	56359
	9400	57539		9400	57539

Unsolved Ques. No. 10 (Page No. 403)

PROCESS I ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To Direct Material @ Rs. 4 per unit	2000	8000	By Normal loss @ Rs. 1 per unit	200	200
To Direct labour		1080	By output transferred to next process @ Rs. 5 per unit	1900	9500
To Direct Expenses		120			
To Abnormal Gain @ Rs. 5 per unit	100	500			
	2100	9700		2100	9700

$$\text{Cost per unit} = \frac{9200 - 200}{2000 - 200} = \frac{9000}{1800} = \text{Rs. 5}$$

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NORMAL LOSS ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To process I	200	200	By sale of scrap @ Re. 1 per unit	100	100
			By Abnormal gain @ Re. 1 per unit	100	100
	200	200		200	200

ABNORMAL GAIN ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To Normal Loss A/c	100	100	By Process I	100	500
To costing profit & Loss Account		400			
	100	500		100	500

Unsolved Ques. No. 8 (Page No. 119)

Solution

$$\text{Average Stock level} = \text{Min. Stock level} + \frac{\text{EOQ}}{2}$$

(WN1)

$$400 = 340 + \frac{\text{EOQ}}{2}$$

$$\frac{\text{EOQ}}{2} = 400 - 340$$

$$\text{EOQ} = 60 \times 2 = 120$$

WN1

$$\begin{aligned} \text{Min. Stock level} &= \text{Re-order level} - (\text{Average rate of} \\ &\quad \text{consumption} \times \text{Average re-order period}) \\ &= 640 - (50 \times 6) \\ &= 640 - 300 \\ &= 340 \end{aligned}$$

WN2

$$\begin{aligned} \text{Re-order level} &= \text{Max. re-order period} \times \text{Max. usage} \\ &= 8 \times 80 \\ &= 640 \end{aligned}$$

IIus. 9.20 (Page No. 372)

WHEN OUTPUT OF A PROCESS IS PARTLY SOLD &
PARTLY TRANSFERRED TO NEXT PROCESS / WAREHOUSE

PROCESS A ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To units issued @ Rs 100/- per unit	10000	1000000	By Normal Loss @ Rs 2 per unit (10,000 x 5%)	500	1000
To Sundry Material		10000	By Abnormal Loss @ Rs. 110 per unit	200	22000
To labour		30000	By output transferred to process B @ Rs. 110 per unit (9300 x 2/3)	6200	682000
To Direct expenses		6000	By Profit & loss A/c @ Rs. 110 per unit (9300 - 6200)	3100	341000
	10000	1046000		10000	1046000

$$\begin{aligned} \text{Cost per unit of process A} &= \frac{10,46,000 - 1000}{10000 - 500} \\ &= \text{Rs. 110} \end{aligned}$$

$$\begin{aligned} \text{Cost per unit of process B} &= \frac{795150 - 4650}{6200 - 930} \\ &= \text{Rs. 150} \end{aligned}$$

PROCESS B ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To input from process A	6200	682000	By Normal loss @ Rs. 5 per unit (6200 x 15%)	930	4650
To Material		15000	By output transferred to process C @ Rs. 150 per unit (5400 ÷ 2)	2700	405000
To labour		80000			
To Direct expenses		18150	By Profit & loss A/c @ Rs. 150 per unit (5400 - 2700)	2700	405000
To Abnormal gain	130	19500			
	6330	814650		6330	814650

PROCESS C ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To input from process B	2700	405000	By Normal loss @ Rs. 10 per unit (2700 x 20%)	540	5400
To Materials		5000	By Abnormal loss @ Rs. 230 per unit	60	13800
To labour		65000	By Profit & loss A/c @ Rs. 230 per unit	2100	483000
To Direct expenses		27200			
	2700	502200		2700	502200

$$\text{Cost per unit of process C} = \frac{502200 - 5400}{2700 - 540} = \text{Rs. } 230$$

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ABNORMAL LOSS ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To Process A	200	22000	By Sale of scrap:		
To Process C	60	13800	Process A @ Rs 2 per unit	200	400
			Process C @ Rs 10 per unit	60	600
			By Profit & Loss A/c		34800
	260	35800		260	35800

NORMAL LOSS ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To Process A	500	1000	By Sale of scrap:		
To Process B	930	4650	Process A @ Rs 2 per unit	500	1000
To Process C	540	5400	Process B @ Rs. 5 per unit	800	4000
			Process C @ Rs 10 per unit	540	5400
			By Abnormal Gain @ Rs. 5 per unit	130	650
	1970	11050		1970	11050

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ABNORMAL GAIN ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To Normal Loss	130	650	By Process B	130	19500
To Profit & Loss A/c		18850			
	130	19500		130	19500

PROFIT & LOSS ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To Process A	3100	341000	By sale:		
To Process B	2700	405000	Process A @		
To Process C	2100	483000	Rs 120 per unit	3100	372000
To Management Expenses		80000	Process B @		
To Selling Expenses		50000	Rs. 165 per unit	2700	445500
To Abnormal Loss		34800	Process C @		
			Rs. 250 per unit	2100	525000
			By Abnormal Gain		18850
			By Net loss		32450
	7900	1393800		7900	1393800

Ques. XYZ Ltd. manufactures and sells three chemicals produced by consecutive processes known as X, Y and Z. In each process 2% of the total weight put in is lost and 10% is scrap, which from processes X and Y realized Rs. 100 per tonne and from Z Rs. 200 per tonne. The products of the three processes are dealt with as follows:

	X	Y	Z
Sent to warehouse for sale	25%	50%	100%
Passed on the next process	75%	50%	—
Materials used (tonnes)	1000	140	1348
Cost per tonne of material (Rs)	120	200	80
Manufacturing expenses (Rs)	30800	25760	18100

Prepare an account for each process.

Solution

PROCESS X ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To Material @ Rs. 120 per tonne	1000	120000	By Normal Loss of weight (1000 x 2%)	20	—
To manufacturing expense		30800	By Normal Loss @ Rs. 100 per tonne (1000 x 10%)	100	10000
			By warehouse @ 25% of output (1000 - 120 = 880) (25% of 880) @ 160 per unit	220	35200
			By output transferred to process Y @ Rs 160 (1000 - 20 - 100 - 220) per unit	660	105600
	1000	150800		1000	150800

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$$\text{Cost per unit in process X} = \frac{150800 - 10000}{1000 - 120} = \text{Rs } 160$$

PROCESS Y ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To input from process X	660	105600	By Normal loss of weight [(660 + 140) * 2%]	16	—
To Materials @ Rs 200 per unit	140	28000	By Normal loss @ Rs. 100 per tonne [(660 + 140) * 10%]	80	8000
To manufacturing expenses		25760	By warehouse @ 50% of output (660 + 140 - 16 - 80 = 704) (50% of 704) @ 215 per unit	352	75680
			By output transferred to process Z @ 215 per unit (660 + 140 - 16 - 80 - 352)	352	75680
	800	159360		800	159360

$$\text{Cost per unit in process Y} = \frac{159360 - 8000}{800 - 96} = \frac{151360}{704}$$

$$= \text{Rs. } 215$$

PROCESS Z ACCOUNT

Particulars	Units	Amount	Particulars	Units	Amount
To input from process Y	352	75680	By Normal Loss of weight [(352 + 1348) * 2%]	34	-
To material @ Rs 80 per unit	1348	107840	By Normal Loss @ 10% of output [(352 + 1348) * 10%] @ Rs 200 per unit	170	34000
To manufacturing expenses		18100	By warehouse @ 100% of output (352 + 1348 - 34 - 170) @ 112.0454 per unit	1496	167620
	1700	201620		1700	201620

$$\text{cost per unit in process Z} = \frac{201620 - 34000}{1700 - 204} = \text{Rs. } 112.0454$$

Points to be noted related to above mentioned ques:

- ① As output units are not given in the question. Therefore, we assumed that expected and actual output is same. That is why, there is no abnormal loss or abnormal gain.
- ② As it is mentioned that output of process Z is also transferred to warehouse and not to finished goods account. Therefore, in process Z, on credit side warehouse is mentioned instead of finished goods.