

SECTION B

2. A manufacturing company disclosed a Net Loss of Rs. 347000 as per their cost accounts for the year ended March 31, 2003. The financial accounts however disclosed a Net Loss of Rs. 5,10,000 for the same period. The following information was revealed as a result of scrutiny of the figures of both the set of accounts.

	Rs.
Factory Overheads Under absorbed	40,000
Administration-Overheads over absorbed	60,000
Depreciation charged in Financial Accounts	3,25,000
Depreciation Charged in Cost Accounts	2,75,000
Interest on Investment not included in Cost Accounts	96,000
Income Tax Provided	54,000
Interest on Joan funds in Financial Accounts	2,45,000
Transfer fees (Credit in financial books)	24,000
Stores adjustments (Credit in financial books)	14,000
Dividend received	32,000

Prepare a Memorandum Reconciliation Account.

3. Ramesh Ltd. has three production departments A, B and C and six service departments. The following figures are extracted from the records of the company:

Production Departments	
A	Rs.16,000
B	Rs.10,000
C	Rs.12,000
	Rs. 38,000

Service Departments	
Stores	Rs. 2,000
Timekeeping	Rs. 3,000
Maintenance	Rs. 1,000
Power	Rs. 2,000
Welfare	Rs. 1,000
Supervision	Rs. 2,000
Total	Rs. 11,000

The other information available in respect of the production departments:

Particulars	Production Departments		
	A	B	C
No. of Employees	40	30	20
No. of Stores Requisition	30	20	10
Horse Power of Machines	500	500	600
Machine Hours	2500	1500	1000

You are required to apportion the costs of various service departments to production departments.

4. What are the different methods of calculating profit on incomplete contracts? Give examples.
5. A product passes through three processes 'X', 'Y' and 'Z'. The output of process 'X' and 'Y' is transferred to next process at cost plus 20 per cent each on transfer price and the output of process 'Z' is transferred to finished stock at a profit of 25 per cent on transfer price. The following information are available in respect of the year ending 31st March, 2008:

	Process	Process	Process	Finished
	X	Y	Z	Stock
	Rs.	Rs.	Rs.	Rs.
Opening stock	15,000	27,000	40,000	45,000
Material	80,000	65,000	50,000	
Wages	1,25,000	1,08,000	92,000	
Manufacturing Overheads	96,000	72,000	66,500	
Closing stock	20,000	32,000	39,000	50,000
Inter process profit included in Opening stock	NIL	4,000	10,000	20,000

Stock in processes is valued at prime cost. The finished stock is valued at the price at which it is received from process 'Z'. Sales of the finished stock during the period was Rs. 14,00,000.

You are required to prepare:

- a) Process accounts and finished stock account showing profit element at each stage.
6. What do you mean by Budget? Discuss the significance of Budgetary Control.
7. What is Target Costing? Discuss the significance of Target costing in detail.