

Solution

Receipts		Issued		Balance	
Qty	R Amt	Qty	R Amt	Qty	R Amt

29. A company has set 5 units per hour as the standard output, each unit having a piece rate of Rs. 3. In a normal day of 8 hours, Raman produces 35 units and Krishnan produces 50 units. The usual hourly rate applicable to all workers is Rs. 15. Find out the earnings of Raman and Krishnan.

(a) If only time rate system is used;  
 (b) If only piece rate system is used;  
 (c) If piece rate with guaranteed time rate is applied

[Ans : (a) Raman - Rs. 120, Krishnan - Rs. 150  
 (b) Raman - Rs. 105, Krishnan - Rs. 150  
 (c) Raman - Rs. 120, Krishnan - Rs. 150]

35 units × ₹3/unit = ₹105  
 as per piece rate = ₹105  
 as per time = ₹120  
 Min. time rate guaranteed

50 units × ₹3/unit = ₹150  
 as per piece rate = ₹150  
 as per time rate = ₹120  
 Min. time rate guaranteed (₹120) which is less than piece rate (₹150) so piece rate will be given.

Calculate Reorder level, Minimum stock level, Maximum stock level and average stock level from the following information:

Normal usage - 300 units per week  
 Maximum usage - 450 units per week  
 Minimum usage - 150 units per week  
 Reorder period - 4 to 6 weeks  
 Reorder quantity - 2,400 units

[Madras, B.Com. (C) Nov. 2012]  
 [Madras, B.C.A. Nov. 2006; B.Com. March 1997]  
 [Ans : Reorder level = 2,700 units;  
 Minimum stock level = 1,200 units;  
 Maximum stock level = 4,500 units;  
 Average stock level = 2,850 units (or) 2,400 units]

From the following data for the last 12 months, compute the average stock level for a component.

Maximum usage in a month - 300 Units  
 Minimum usage in a month - 200 Units  
 Average usage in a month - 225 Units

Time lag in procurement of materials:  
 Maximum 6 months  
 Minimum 2 months  
 Reorder quantity - 760 Units

[Madras, B.Com., Nov. 2006; B.Com., Sept. 1991]  
 [Ans : Average stock level = 1,530 units (2160 + 900 / 2)  
 or = 1,280 units (900 + 760 × 2 / 3)]

Stock levels for two or more materials:  
 If two components X and Y are used as follows:  
 Normal usage - 600 units per week each  
 Maximum usage - 900 units per week each

Reorder level = Max X Max (900 × 6) = 5400  
 (900 × 4) = 3600

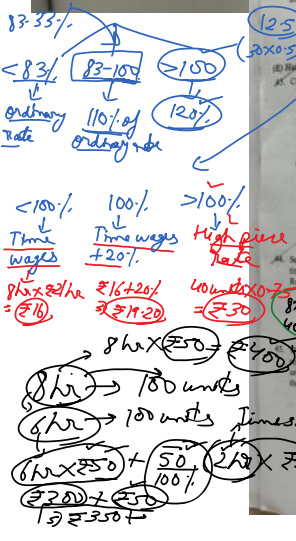
Reorder levels for two or more Materials:  
 If two components X and Y are used as follows:  
 Normal usage - 600 units per week each  
 Maximum usage - 900 units per week each  
 Minimum usage - 300 units per week each  
 Reorder quantity:  
 X - 4,000 units  
 Y - 7,200 units  
 Reorder period:  
 X - 4 to 6 weeks  
 Y - 2 to 4 weeks

1) Reorder level = Max X Max (900x6) (900x4)  
 $\Rightarrow 5400$   $3600$

2) Minimum level =  $\Rightarrow 600$

ordinary rate  
 125 x 110 / (30 x 5) x 110  
 80 x 5 x 25  
 40 x 5 x 25  
 8 x 5 x 25  
 40 x 5 x 25  
 40 x 5 x 25  
 40 x 5 x 25

$\frac{3600 + 7200}{2} - (300 \times 2)$   
 $\Rightarrow \frac{10800}{2} - 600$   
 $\Rightarrow 5400 - 600$   
 $\Rightarrow 4800$



(300x4) (300x2)  $\Rightarrow 1200$

3) Max = (Reorder level + Re order qty) - (Min Cons x Min Re order period)  
 $\Rightarrow 5400 + 4800 - (300 \times 4)$   
 $\Rightarrow 10200 - 1200 = 9000$

Q 51) Pg 4, 96

6 hrs x ₹4/hour = ₹24

6 hrs x  $\frac{42}{48} \rightarrow$  Actual  
 $\frac{48}{42} \rightarrow$  Allowed Standard  
 $= 5 - 25$  hrs  
 $\times ₹4 = ₹20 \rightarrow$  Incentive

42 hrs x ₹4  $\Rightarrow 168 \rightarrow$  Normal wages  
 Incentive  $\Rightarrow 21$   
189 Total wages

08/12/2022

RM  
 DL  
 Direct OH

40,000	
24,000	
25,000	
8,500	
5,000	
115,000	
40,000	
75,000	
75,000	
15,000	
165,000	

Q 22) Pg 207

opening stock of RM 25,000  
 Add: Purchases of DM 85,000  
 Expenses, taxes & duties on material purchased: 5,000  
 Carriage inward  
115,000  
 less: closing stock of RM 40,000 (40,000)  
 Direct material cost of sold  
 Cost of direct material consumed  
 - Direct wages  
 - Direct or chargeable Expenses  
Prime Cost

COGS = Op Stock (RM + WIP + FG + SIT) + Purchases (RM + SIT) + Direct Expenses - closing stock (RM + WIP + FG + SIT)

CMC = Op Stock (RM) + Purchases (RM) + Direct Expenses -

$$\text{COGS} = \text{Op Stock (RM+WIP+FG+ST)} + \text{Purchases (RM+ST)} - \text{Direct Expenses - Closing Stock (RM+WIP+FG+ST)}$$

$$\text{CMC} = \text{Op Stock (RM)} + \text{Purchases (RM)} + \text{Direct Expenses} - \text{Closing Stock (RM)}$$

Add: Factory overheads:-	
Indirect wages	10,000
Factory rent	5000
Indirect consumption of material	500
Plant depreciation	1,500
Other factory expenses	5,700
Managing director's remun.	2,500
	<u>197,700</u>

Add: opening WIP	-
less: closing WIP	-
Work Cost / Factory Cost	<u>197,700</u>

Add: Admin overheads	
office rent	500
Dep'n - office furn	150
office salary	2,500
other office exp.	900
Manager remuneration	2,800
Cost of production	<u>197,700</u>

Add: Op Stock of FG	-
less: Cl Stock of FG	-
Cost of production of goods sold	<u>197,700</u>

Add: Selling and distribution overheads	
Salesman salary	2,000
RD	6,800
other selling Exp	1,000
Trav Exp	1,100
Carriage outward	1,000
Advertisement	2,000
Cost of Sales	<u>21,080</u>
Profit	<u>39,200</u>
Sales	<u>250,000</u>

SLD<sup>m</sup> O/H

Question 32)

opening stock of RM	25,000
Purchases of RM	21,900
Expenses, duties & Taxes:-	
Carriage on purchases	11,000
less: closing stock of RM	(26,200)
Cost of material consumed	<u>21,800</u>
Direct wages	17,200
Direct Expenses	12,000
Prime Cost	<u>40,200</u>
Add: Factory overheads:-	
Non productive wages	800
Factory O/M	8,300
Add: Op Stock of WIP	820
less: Cl Stock of WIP (9100)	(9,100)
Work Cost / Factory Cost	<u>48,400</u>
Add: Admin O/M	3200
Cost of production	<u>51,600</u>
Add: Op Stock of FG	17,300
less: Cl Stock of FG (15,700)	(16,000)
Cost of prod <sup>n</sup> of goods sold	<u>53,200</u>
Add: Selling and distribution overhead	4,200
Cost of Sales	<u>57,400</u>
Add: Profit (Loss)	<u>19,900</u>
Sales	<u>72,300</u>