

Unit - IV Ref. Book: Cost Accounting - Jain &amp; Narang

Process costing - Features of Process costing - process losses, waste, scrap, Normal process loss, abnormal loss, abnormal gain, inter process profit.

Meaning of Process costing:-

It is the form of operation costing which is used to ascertain the cost of the product at each process or stage of manufacture.

Features:-

1. Continuous flow of identical products
2. Maintenance of accurate records.
3. Avoidable & unavoidable losses arise.
4. Transfer to another process.
5. Obtain accurate average cost.

Problem no. 1 / P. NO. IV - 133

A product passes through 3 processes to completion. During the week end, 500 units are produced. Other Informations:-

	Process I	Process II	Process III
Direct Materials (Rs.)	3500	1600	1500
Direct Labour (Rs.)	2500	2000	2500

The overhead expenses for the period were Rs. 1400 apportioned to the processes on the basis of wages. Prepare Process Accounts.

Prepared by ~~Cost Accounting~~ DR. P. SRIDHAR, Asst. Prof.

## Problem 2 / P.NO. IV - 137

The product of company passes through 3 processes to completion. i.e., A, B & C. It is ascertained that loss is incurred in each process as: Process A = 2%. Process B = 5%. Process C = 10%.

The loss of each process possesses a scrap value. The loss of processes A and B is sold at Rs. 5 per 100 units and that of process C at Rs. 20 per 100 units.

	Processes		
	A	B	C
Materials consumed	6000	4000	2000
Direct Labour	2000	6000	3000
Manufacturing Expenses	1000	1000	1500

20,000 units have been issued to process A at a cost of Rs. 10,000. The output of each process has been as under: -

Process A 19500;  
 Process B 18800  
 Process C 16000

There is no work-in-process in any process.

Prepare Process Accounts along with abnormal loss or Abnormal gain.