

University of the Punjab
Part II Annual 2010 Examination ADC/BCOM
Subject: Cost Accounting Paper: BC:406
Time Allowed: 3 Hours Maximum Marks: 100

Composed by Iftikhar Ali Lecturer Statistics, Finance & Accounting

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Q.1: Explain the scope of cost accounting.

Q.2: Give a comprehensive list of expenses included in Factory overhead.

Q.3: The books and record of Khyber Manufacturing Company present the following data for the month of February.

Direct labour cost	Rs. 16,000 (160% of F.O.H)
Cost of goods sold	Rs. 56,000

Inventory accounts showed the following opening and closing balances:

Particulars	Feb. 1	Feb. 28
Raw materials	8,000	8,600
Work in process	8,000	12,000
Finished goods	14,000	18,000

Other Data:

Marketing expenses @ 5% of sales.

General & administrative expenses @ 10% of sales.

Sales for the month Rs. 75,000

REQUIRED:

An income statement with supporting schedule of Cost of Goods Manufactured & Sold.

Q.4: The Babar Company uses both a Factory Ledger and a General Ledger. It records its costs under job order cost system. The following transactions took place during the month of July 2009:

- (i) Materials purchased and delivered directly to production (without going to store room), which was used as follows:
- (ii)

Direct Materials	Rs. 2,800	
Indirect Materials	Rs. 500	Rs. 3,300

(iii) Labour cost charged to production during the month as follows:

Direct labour cost	Rs. 20,000
Indirect labour cost	Rs. 5,000
Sales Salaries	2,000
General Office Salaries	3,000

- (iii) Factory over applied to production during the month at the rate of 110% of Direct Labour Cost.
- (iv) Depreciation at an annual rate of 10% of the original cost of machinery Rs. 120,000 was recorded.
- (v) Goods completed totaled Rs. 65,000.
- (vi) Goods Costing Rs. 60,000 were sold for Rs. 100,000 on account.
- (vii) Sales Returns by the customer Rs. 1,000, the Cost of Sales Return being Rs. 600.

REQUIRED:

Journal entries in the General office and Factory Office Books.

Q.5: The Shahalam Manufacturing Company uses a process cost system. The costs of Department 2 for the month of April 2009 were as follows:

Cost proceeding department		Rs. 20,000
Cost added by the department:		
Materials	Rs. 21,816	
Labour	7,776	
Factory overhead	4,104	Rs. 33,696

The following information was obtained from the department's quantity schedule:

Unit received	5,000
Units transferred out	4,000
Units still in process	1,000

The degree of completion of the work in process was: 50% of the units were 40% complete; 20% of the units were 30% complete; and the balance of the units was 20% complete.

REQUIRED:

Prepare the cost of production report of Department 2 for April 2009.

Q.6: Faizan & Co. manufactures appliances to be sold to an automobile industry. An order of 1,200 appliances was received at a sales price of Rs. 200 per unit. The cost per unit was as follows:

Material cost Rs. 32,000

Labour cost Rs. 42,000

Factory overhead cost Rs. 22,000

On completion of the order, it was found that 100 units were imperfect and spoiled and could only be sold out at a price of Rs. 48 per unit to a small manufacturing company which would repair and sell them under their own decided to sell 100 spoiled units to this company at a price of Rs. 48 each

REQUIRED:

Prepare all necessary journal entries to record the following:

- (i) Putting the 1,200 unites into process.
- (ii) Placing the spoiled unites in the inventory.
- (iii) Completion and sale for cash 1,100 good units.
- (iv) Sale for cash of the 100 spoiled units.

Use three work in process accounts and assume that:

- a) Cost of spoilage is spread over entire production of the period.
- b) Cost of spoilage is charged to the job on which it occurred.

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Q.7: Normal operating capacity of a company's power plant is estimated to be 4,750,000 kilowatt-hours per month. At this level of activity fixed overhead is estimated to be Rs. 171,000 and variable overhead Rs. 209,000. During November, the power plant produced 5,000,000 kilowatt-hours. Actual overhead for the month totaled Rs. 393,000.

REQUIRED:

- a) Over or under applied overhead (Carry all computations to three decimal places)
- b) Spending variance and idle capacity variance.

Q.8: The following information's relate to payroll department of ABC Co. Using this information, you are required to compute.

- (i) The wages earned by the workers.
- (ii) Cross wages payable under the following wage payment plans.

Particulars	Workers		
	A	B	C

Time allowed for 100 units	23 hours	32 hours	38 hours
Wage rate per hour	Rs. 12.50	Rs. 10.00	Rs. 11.50
Time taken	40 hours	42 hours	39 hours
Units produced	220 units	150 units	125 units

- (i) Piece work with guaranteed wages.
- (ii) Hourly rate.
- (iii) Premium plan in which $\frac{2}{3}$ rd of the time saved is paid to the workers.

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