

**University of the Punjab**  
**Part II Annual 2012 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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**Note:** Attempt any five questions. All questions carry equal marks.

**Q.1:** The following data is presented by the Akram Manufacturing Company:

Changes in inventories:	Rs.
Raw material increased by	15,500
Work in process decreased by	18,900
Finished goods increased by	8,700
Purchases of raw material	150,000
Direct labor cost	125,000
Manufacturing overhead	75,000

Required:

From the above information, compute the cost of Goods Sold.

**Q.2:** A manufacturing company estimates its carrying cost at 15% and ordering cost at RS. 9 per order. The estimated annual requirement is 48,000 Units at a price of Rs. 4 per unit.

Required:

- (i) What is the most economical order quantity?
- (ii) How many orders need to be placed?

**Q.3:** Annual estimated Factory Overhead of a company for an expected volume of 180,000 pounds of a product was as follows:

Fixed overhead      Rs. 36,000  
Variable overhead    Rs. 108,000

Output was 10,000 pounds in June and actual overhead expenses were Rs. 7,700.

Required:

- (i) The overhead rate per unit.
- (ii) Spending variance.
- (iii) Idle capacity variance.

**Q.4:** Zakir electrical industry produces U.P.S. Assembling the last producing department during April received 1,700 units from preceding department at unit cost of Rs. 2,544. During the month a total of 1,626 units were assembled. At the end of month 10 of the assembled units were in the department awaiting transfer. 70 in process units were estimated to be 4/5 complete as to materials and 3/5 complete as to labor and factory overhead. Remaining units were lost during processing. Direct materials Rs. 3,767,680, direct labor Rs. 420,336 and factory overhead RS. 380,304 were charged to the department during April. There was no work in process beginning inventory.

**Required:**

- a) Schedule of equivalent production
- b) Cost of production report

**Q.5:** The standard time for the completion of a certain job is fixed at 200 hours. Normal wages are paid to the workers according to time rate which is Rs. 25 per hour. If the job is completed in lesser time a bonus is paid to the worker calculated on the following lines:

Up to first 20% saving in time 25% of the corresponding saving in time.

For and within next 30% saving in time 50% of the corresponding saving in time.

For and within next 30% saving in time 30% of the corresponding saving in time.

**Required:** Compute the total earning and earning per hour of the following workers:

Workers	Time Taken (Hours)
Arshad	210
Amjad	160
Nazar	120
Naheed	50

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**Q.6:** Following are the transactions in summarized form of Abpara Paper Mill for the month of June, 2011.

- a) Direct materials of Rs. 140,000 and indirect materials of Rs. 20,000 were purchased during the month, out of which direct materials of Rs. 5,000 were returned to suppliers.

- b) Materials Requisition Summary for the month showed following issues:

Direct materials	Rs. 120,000
Indirect materials	Rs. 15,000
Shipping supplies	Rs. 5,000

However, direct materials of Rs. 5,000 and indirect materials of Rs. 2,000 were returned back to storeroom as shown by Materials Returned Notes.

- c) A further purchase of direct materials of Rs. 10,000 was made and on receipt of the consignment it was directly delivered to factory for use in production.
- d) Gross salaries and wages for the month as shown by Payroll Register were Rs. 125,000. Deduction of Income Tax at source totaled Rs. 5,000 and of provident fund Rs. 12,500. The company contributes an equal amount towards provident fund.

**Payroll Analysis Sheet showed following distribution:**

Direct labour	Rs. 70,000
Indirect labour	Rs. 20,000
Salaries of marketing department	Rs. 20,000
Salaries of administration department	Rs. 15,000

- e) Factory overhead costs of Rs. 50,000 including depreciation of Rs. 10,000 and expired insurance of Rs. 5,000 for factory machinery and building were recorded.
- f) Depreciation of Rs. 10,000 on office building and furniture was recorded, out of which Rs. 4,000 is chargeable to marketing department.
- g) Vouchers totaling Rs. 110,000 excluding payroll voucher were paid at a discount of 2%.
- h) Factory overhead is applied to production at the rate of 100% of direct labor cost.
- i) Cost of finished output for the month totaled Rs. 200,000.
- j) Finished goods costing Rs. 180,000 were sold for Rs. 255,000. Sales of Rs. 135,000 were on credit.
- k) One of the credit customers returned goods costing Rs. 7,500 for which he was billed at Rs. 12,000.

**Required:** Pass journal entries for the above transactions in head office books and factory office books using two parallel columns.

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**Q7.** "The Departmentalization of Manufacturing concern is an important aid to cost and managerial control". Why?

**Q8. Briefly explain the following.**

1. Danger level
2. Volume variance
3. Conversion cost
4. Perpetual inventory system
5. Job costing