

University of the Punjab
Part II Annual 2013 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: What are the Principles and bases for the distribution of one head expenses among departments?

Q.2: Asad & company Limited presents to you the following facts concerning the company's operations for the year 2011.

Beginning inventory (at sales price)	Rs. 37,500
Purchases (at cost price)	Rs. 52,500
Sales (at sales price)	Rs. 75,000
Ending inventory (at sales price)	Rs. 50,000
Marketing expenses	Rs. 16,000
Administrative expenses	Rs. 6,000

Required: An income statement for the year 2011.

Q.3: Al- Raheem Fabrics, during the month of January 2011, completed the following transaction:

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(a)	Materials purchased during January, 2011	
	Direct materials	Rs.90,000
	Indirect materials	<u>Rs. 10,000</u>
	Total	<u>Rs.100,000</u>
(b)	Materials issued for use in production:	
	Direct materials	Rs. 80,000
	Indirect materials	<u>Rs. 5,000</u>
	Total	Rs. 85,000
(c)	Defective materials returned to supplier:	

	Direct materials	Rs. 4,000
	Indirect materials	Rs. 2,000
	Total	Rs. 6,000
(d)	Unused material returned by factory to store room	
	Direct materials	Rs. 2,000
	Indirect materials	Rs. 1,000
	Total	Rs. 3,000
(e)	Payroll data for the month as follows:	
	Direct Labour	Rs. 60,000
	Indirect Labour	Rs. 10,000
	Salaries of marketing staff	Rs. 30,000
	Salaries of administration staff	Rs. 20,000
	Total	Rs. 120,000

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	Deduction of provident fund @ 10% of gross earning	Rs. 12,000
	Net amount paid	Rs. 108,000
	Employer also contributes an equal amount towards provident fund.	
(f)	Factory overhead cost incurred during the month:	
	Bills for utilities	Rs. 12,000
	Factory rent	Rs. 16,000
	Depreciation of plant	Rs. 4,000
	Insurance of plant expired	Rs. 2,000
	Total	Rs. 34,000
(g)	Factory overhead is applied to production @ 50% of direct labour cost.	
(h)	Cost of finished output during the month Rs. 150,000.	
(i)	Finished goods costing Rs. 130,000 were sold for Rs. 170,000. Sales of Rs. 70,000 were for cash and Rs. 100,000 were on credit.	

REQUIRED:

Pass entries in general journal form to record the above transaction.

Q.4: Production of an order consisting 800 units requires direct materials of Rs. 350,000 and direct labour of Rs. 250,000. Factory overhead is applied at the rate of 80% of direct labour cost. After completion of the order, 16 units are classified as spoiled which can be sold for Rs. 4,000. Customer takes delivery of remaining 784 good unit and paid in cash the contracted prices at the rate of Rs. 1.250 per unit. Spoiled units are sold and Rs. 4,000 received in cash.

REQUIRED:

- 1) Journal entries, if the loss is charged to the order.
- 2) Journal entries, if the loss is charged to factory overhead.

Q.5: A worker takes 9 hours to complete a job in daily wages and 6 hours on a scheme of payment by results. His day rate is Rs. 7.50 per hour. Materials cost of the product is Rs. 400 and overheads are recovered at 150% of total direct wages.

REQUIRED:

Calculate factory cost of the product under:

- 1) Piece work plan
- 2) Hasley plan

Q.6 Annual estimate 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.

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REQUIRED:

- (1) The overhead rate per pound.
- (2) Spending variance
- (3) Idle capacity variance

Q.7 Following costs were charged to 2nd Department of Muddassar Corporation during the month of September. Cost of units received from 1st Department Rs. 364,000; materials Rs. 327,500; labour Rs. 221,970; overhead Rs. 80,360.

During the month 2nd department completed operations on 4,700 units and transferred these units to 3rd department, 200 units were lost during processing; the loss is considered unavoidable. At the end of month 300 units were in process; these units were 2/3 converted. All materials are added in 2nd department at the beginning of manufacturing operations.

REQUIRED:

Cost of production report.

Q.8 Explain the followings:

- (1) Conversion cost
- (2) Job order costing system
- (3) Fixed cost
- (4) stock turnover
- (5) Historical cost