

University of the Punjab
Part II 2014 2nd Annual 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.

Question 1: Records of Sangam Cold Refrigerator Company show the following information for the three months ended March 31, 2014.

Materials purchased	Rs. 1,946, 700
Inventories January 1,2014:	
Finished goods (100 refrigerators)	Rs.43,000
Materials	Rs. 268,000
Direct labor	Rs.21,25,800
Factory overhead	Rs. 764,000
Marketing expenses	Rs. 516,000
General and administrative expenses	Rs. 461,000
Sales (12,400 refrigerators)	Rs. 6,634,000
Inventories March 31,2014	
No Unfinished Work in Hand	
Finished goods (200 refrigerators), costed at Rs. 395 each	Rs.167,000
Materials	

Required:

1. An income statement for the period.
2. The number of units manufactured.
3. The unit cost of refrigerators manufactured.
4. The gross profit per unit sold.
5. The income per unit sold.
6. The ratio of gross profit to sales.
7. The income to sales percentage.

Question 2:

During the month of March the following costs were incurred in department No. 2 of Mian Paints Industry:

Materials cost	Rs 9,000
Labor cost	Rs 4,250
Factory overhead	Rs. 5,100

During the month 20,000 units with a total cost of Rs.38,000 were transferred into department from Department No. 1. Of these 15,000 units were completed and transferred to department No. 3 and 4,000 units were in process on 31st March being $\frac{1}{4}$ % complete as to materials, $\frac{1}{2}$ % complete as to labor and factory overhead.

Required: A cost of production report of department 2 for the month of March.

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Question 3: Predetermined factory overhead absorption rate computed by Ahsan Industries is Rs.6 per machine hour. Budgeted factory overhead for activity level of 150,000 machine hours is Rs.800,000 and for activity level of 100,000 machine hours is Rs.700,000. Actual factory overhead incurred during the year is Rs. 710,000 at an actual volume of 120,000 machine hours.

Required:

1. Variable factory overhead absorption rate.
2. Budgeted fixed factory overhead.
3. Budgeted activity level on which the absorption rate is based.
4. Over or under absorbed factory overhead.
5. Volume variance.
6. Spending variance.

Question 4: Following estimates relate to material "Alpha":

Requirement for six months	6000 units
Cost to place an order	Rs. 10
Unit cost	Rs. 4.80
Carrying cost	5%

- 1) Calculate economic order quantity.
- 2) Currently the company is purchasing this material in lots of 4,000 units. How much can the

company save by buying in the most economical quantities?

Question 5: a- A company had following inventories at the beginning and end of the month:

	September 1	September 30
Materials	Rs. 20,000	Rs.25,000
Work in process ---materials	Rs.9,000	Rs.4,000
Work in process ---labour	Rs.16,000	Rs. 10,000
Work in process --- FOH	Rs.5,000	Rs.6,000
Finished goods	Rs.12,000	Rs. 25,000

During the month of September the cost of raw materials purchased was Rs.60,000; direct labour cost incurred was Rs.80,000 and factory overhead applied to production was Rs.30,000.

Required: Prepare the necessary journal entries on September 30 to transfer the cost of goods manufactured and sold to proper summary accounts.

b- Pass journal entries for sales return with your own figures.

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Question 6: Four direct workers are engaged in an operation for which standard production time per piece is determined as 48 seconds. Standard hourly rate of the workers is Rs.33.75. During a 40 hours week output of the four workers is as follow:

A = 2,800 pieces B = 2,900 pieces

C = 3,000 pieces D = 3,200 pieces

Wages of the workers are computed under straight piece rate but time rate earnings are guaranteed to the workers.

Required:

1. Compute wages earned by each worker.
2. Compute distribution of wages between work in process and factory overheads.

Question No.7

Define cost accounting and differentiate between cost accounting and financial accounting.

Question No.8

What are the various methods of stock valuation? State advantages and disadvantages of each method.