University of the Punjab
Part II Annual 2014 Examination ADC/BCOM
Subject: Cost Accounting Paper: BC: 406
Time Allowed: 3 Hours Maximum Marks: 100

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Note: Attempt any five questions. All questions carry equal marks.

Q.1 From the following information prepare an income statement for the year ended December 31st, 2013.

Beginning inventory (at sales price)	Rs. 65,000
Purchases (at cost price)	Rs. 450,000
Closing inventory (at sales price)	Rs. 75,000
Sales (Sale price)	Rs. 590,000

Selling expenses amounted to 3% of sales and general administrative expenses amounted to 2% of sales.
REQUIRED:
An income statement for the year 2013

Q.2 Khubaib manufacturing company uses process cost system. Cost of department 2 for the month of June were as under:

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

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

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

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

Balance of the units were 20% complete.

REQUIRED:

Prepare cost of production report of department 2 for June.

Q.3 Gujranwala enterprises received an order for manufacture of 500 units of their product "y" from Lahore Company. Following costs were incurred for filling the order.

Direct material cost	Rs. 25,000
Direct labour cost	Rs. 50,000

Factory overhead applied was 50% of direct labour cost.
Additional cost incurred for rework on 50 units found defective were as follows:

Direct material cost	Rs. 2,000
Direct labour cost	Rs. 2,000

Factory overhead at applied rate.

REQUIRED:

Prepare journal entries to record completion of the order when:
(1) Job is charged with the cost of defective work.
(2) Cost is not so charged.
Also calculate cost per unit in both of the cases.

Q.4: A company has three production departments X, Y, & Z and two service department A & B the expenses incurred by them during the month are:
X Rs. 80,000, Y Rs. 70,000, Z Rs. 50,000, A Rs. 23,400, B Rs. 30,000
Expenses of service department are apportioned to the production and to the co-service department on the following basis:

	X	Y	Z	A	B
Expenses of A	20%	40%	30%	-	10%
Expenses of B	40%	20%	20%	20%	-

REQUIRED:

Apportion expenses of A & B departments to X, Y & Z departments with the help of simultaneous equations method and calculate total factory overhead cost of the production departments.

Q.5: Following figures are taken from annual budget of ABC manufacturers for the year 2013:

Fixed factory overhead	Rs. 400,000
Factory overhead absorption rate	Rs. 70 per direct labour hour
Variable factory overhead rate	Rs. 30 per direct labour hour

Following are a few figures of actual results of the year 2013:

Capacity attained	110,000 hours
Factory overhead	Rs. 8,000,000

REQUIRED:
(a) Budgeted capacity that was used to compute factory overhead absorption rate.
(b) Analysis of under or over absorbed factory overhead into volume and budget variances.

Q.6 Abdullah and Ahmad are two workers in assembling department of a manufacturing concern. During each day of previous week their hours worked are as under:

Days	Hours Worked	
	Abdullah	Ahmad
Monday	10	9
Tuesday	11	10
Wednesday	9	9
Thursday	8	10
Friday	9	8
Saturday	8	4

REQUIRED:
Normal and overtime wages of Abdullah and Ahmad for the week if:
(a) Normal working hours are 8.
(b) Normal rate is Rs. 80 per hour.
(c) Workers are paid at double the normal rate for overtime.

Q.7 Following transactions are related to Marium manufacturing company, Lahore. Factory is situated at Gujrat. Total payroll cost for the month Rs. 800,000, employees' income tax withheld Rs. 40,000 deduction for the provident fund at the rate of 10% of gross payroll, voucher for net earnings employees was prepared and paid. Payroll analysis sheet revealed the following information:

Direct labour	Rs. 450,000
Indirect labour	Rs. 100,000
Sales salaries	Rs. 100,000
Office salaries	Rs. 100,000

Note: employees provident fund contribution by the employer is at the same rate as the rate of deduction, rate of security fund contribution by the employer is 5% of gross pay.
REQUIRED:

Q.8: Prepare journal entries to record the above transactions in general office books and factory office books.

Explain the following:

(a) Process cost method **(b)** Perpetual inventory system

(c) First in first out method **(d)** expenditure variance