

University of the Punjab
Part II 2015 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.

Q.1: During the month of July Shahab Corporation put into process Rs.75,000 of raw materials. The Mixing Department used 10,000 labour hours at a cost of Rs.50,000 and Finishing Department used 4,000 labour hours at a cost of Rs. 10.00 per hour. Factory overhead is applied at a rate of R.3.00 per labour hour in the Mixing Department and Rs.6.00 per labor hour in the Finishing Department.

Inventories	July 1	July 31
Materials	Rs. 24,000	Rs. 27,000
Materials in Process	Rs. 9000	Rs. 10,000
Labour in Process	Rs. 12,000	Rs. 8000
Factory overhead in Process	Rs. 8000	Rs. 6000
Finished goods	Rs. 16,000	Rs. 20,000

Shahab corporation produced 40,000 units of product during the month.

Required: schedule showing cost of work put in process, cost of goods manufactured and cost of goods sold. Also find out unit cost of materials, labour and overhead for the July production.

Q.2: Following costs were charged to Finishing department of Asia Manufacturing Company during the month of May:

Cost from preceding department Rs.94,500

Labor Rs. 38,468

Factory overhead cost Rs. 9,617

During May Finishing Department received 18,000 units from preceding department. 13,000 units were transferred to finished goods storeroom. 2,500 completed units were in Finishing Department awaiting

transfer. At the end of May 2,000 units were in process in Finishing Department. These units were 40% converted.

Required: A cost of production report for Department No. 2 for the month of May.

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Q.3: A Company estimated its factory overhead for the next period at Rs.200,000. It is estimated that 40,000 units will be produced at a materials cost of Rs.200,000. Production will require 40,000 man hours at an estimated wage cost of Rs.500,000.

The machines will run about 25,000 hours.

Required:

1. Factory overhead rate that may be used in applying factory overhead to production on each of the following basis:

- (i) direct materials cost,
- (ii) direct labor hours,
- (iii) direct labor cost and
- (iv) machine hours.
- (v) Prime cost

2. Total cost of Job No.616 consisting of 100 units by each rate in (1) above. (Job N0.616: direct materials Rs. 16,000; direct labor Rs. 38,000; direct labor hours 3,000; and machine hours 1,975.

Q.4: Consumption forecast of a particular material is given here under:

Maximum daily consumption	600 units
Average daily consumption	500 units
Minimum daily consumption	400 units
Lead time	4 to 8 Days
Time to get emergency supplies	3 days
Economic order quantity	5000 Units

Required: Determine (a) Order level, (b) Minimum level, (c) Maximum level, (d) Danger level.

Q.5: Following transactions are related to Fazal 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 provident fund at the rate of 10% of gross payroll, voucher for net earnings of employees was prepared and paid. Payroll Analysis Sheet revealed the following information:

Direct labor	Rs. 450,000
Indirect labor	Rs. 100,000
Sales Salaries	Rs. 150,000
Office Salaries	Rs. 100,000

Note: Employees' Provident Fund Contribution (EPFC) by the employer is at the same rate as the rate of deduction, rate of Social Security Fund Contribution (SSFC) by employer is 5% of gross pay.

Required: Prepare journal entries to record the above transactions in general office books and factory office books. Which accounts are generally maintained in the factory books?

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:

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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: What is process costing? Under what circumstances process costing is applied? Differentiate between process costing and job order costing.

Q.8: Explain in detail the functional classification of cost.

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