

University of the Punjab
Part II Annual 2015 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: Records of Badar 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.

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

Cost per preceding department	Rs. 94,500
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Labour	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. Remaining units were 40% converted.

REQUIRED:

A cost of production report for the department no 2 for the month of May.

Q.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.

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Required:

- Variable factory overhead absorption rate.
- Budgeted fixed factory overhead.
- Budgeted activity level on which the absorption rate is based.
- Over or under absorbed factory overhead.
- Volume variance.
- Spending variance.

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: A company had following inventories at the beginning and end of the month.

	Sept 1	Sept 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.

- (a) 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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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: Define Cost Accounting and Differentiate Between cost accounting and financial Accounting.

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