

University of the Punjab
Part II 2016 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: The following data was taken from the book of the Sitara Manufacturing Company for the year ended 31st December 2001.

	Units	Cost (Rs.)
Sales During the year	2400	?
<u>Opening Inventory</u>		
Work in Process	----	----
Finished Goods	540	4374
<u>Closing Inventory</u>		
Work in Process	30	?
Finished Goods	600	?
<u>Manufacturing Cost</u>		
Direct Material		9000
Direct Labour		6000
Factory Overhead		4800

The foreman has submitted the following cost estimate for the closing work in process inventory.
 Direct Material Cost Rs. 810

Direct labour Cost Rs. 300
 Factory Overhead?

The company past experience shows that Factory overhead cost tends to fluctuate closely in proportion to Direct labour Cost.

Required

- 1) Calculate number of units manufactured during the year
- 2) Calculate the value of closing work in process inventory
- 3) Prepare Manufacturing Statement
- 4) Calculate per unit cost
- 5) Calculate cost of sale and value of finished goods according to FIFO method.

Q.2: The sale price of home appliances is Rs.280. The Company is realizing a gross profit of 25% of Cost of goods sold. The Cost of Goods Sold comprises of 40% Material and Factory Overhead 15%. The company sold 2000 of these appliances last year. During the coming year, it is expected that material and labour cost will each increase by 25% and Factory Overhead will increase by 12 ½%. To meet these rising costs a new selling price of Rs.325 has been tentatively set.

Required

Compute the number of units that must be sold to realizing the same total gross profit in the coming year as was realized last year.

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Q.3: A Company uses process costing in its two departments. In Department '2' Material are added at the beginning of the process.

During September 5000 units were received from Department '1' at a cost of Rs.50000. Cost incurred by Departments '2' during September were:

Material Cost	Rs.32000
Conversion cost	Rs.36000

4500 units were completed and transferred to finished goods inventory. The 500 units still in process were 3/5 complete as to Conversion cost.

Required

Prepare a Cost of Production Report of Department '2'.

Q.4: The Zaria Co. produces many varieties of screws. One order, which was for Arslan Manufacturing Company. The cost upon completion of this order were:

Material Cost	Rs.1000
Labour Cost	Rs. 700
Manufacturing Cost	<u>Rs.300</u>
	Rs.2000

Inspection however, reveals that a certain part of the work is defective. The defective was remedied at the following cost:

Material Cost	Rs.400
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Labour Cost	Rs.200
Manufacturing Cost	Rs.100
	Rs.700

REQUIRED: Prepare journal entries to record the completion of order.

1. When the job is charged with the cost of defective work
2. When the job is not charged with the cost of defective work.

Q.5: The **Murtaza Manufacturing Company** has its journal Office in Lahore but its Factory at Sheikhpura. That's why General Office and Factory Office prepare accounts separately.

- 1) Purchased Material amounting to Rs.15000 on term 2/10; n/30.
- 2) Analysis of the payroll made by the General Office shows:

Direct Labour	Rs.6000
Indirect Labour	Rs.2000
Salesman Salaries	Rs.1500
Administrative Office Salaries	Rs.500
	Rs.10000

The General Office deducts 10% for staff provident fund, 5% for Income Tax and 5% for Social Security Fund. The employer also contributes towards Provident Fund and Social Security Fund in equal proportion.

- 3) Requisition received and material issued as follows:

Direct Material	Rs.9000
Indirect Material	Rs.2000
Shipping (Selling) Supplies	Rs.500
Adm. Office Supplies	Rs.300

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- 4) Material purchased and directly issued to factory Rs.500.
- 5) Various Factory Overheads totaled Rs.3500 including Rs.500 for depreciation on the factory machinery.
- 6) Factory Overhead Applied @ 100% of Direct Labour Cost.
- 7) Goods completed totaled Rs.18000 consists of material Rs.8400; labour Rs.4800 and Overheads Rs.4800
- 8) Goods costing Rs.15000 were sold for Rs.17500
- 9) Goods returned by customer amounting to Rs.700 whose cost was Rs.600

Required: Prepare Factory' Book and Main Office Book.

Q.6: Calculate the normal and overtime wages payable to a workman from the following data:

Days	Hours worked
Monday	8
Tuesday	10

Wednesday	9
Thursday	11
Friday	9
Saturday (Half Day)	4

Normal working hours was 8 per day. Normal rate was Rs.10 per hour. Overtime rate were as follows:
Upto 9 hours in a day at single rate and over 9 hours in a day at double rate OR upto 48 hours at single rate and above it at double rate which is more beneficial to the workman.

Q.7: The estimated capacity of the company is 200000 units. At this level of capacity, the fixed overhead is Rs.400000 and variable at Rs.350000. During the year the company produced 220000 units and the actual factory overhead cost incurred totaled Rs.790000.

REQUIRED:

- 1) Applied Factory Overhead
- 2) Budgeted for Capacity Attained
- 3) Under or Over Applied Factory Overhead
- 4) Budget and Volume Variance

Q.8: Differentiate between Cost Accounting and Financial Accounting in detail?

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