University of the Punjab
Part II Annual 2016 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 Records of **Bel Cold Refrigerator Company** show the following information for the three months ended March 31, 2015.

Materials purchased	Rs. 1,946, 700
Inventories January 1,2015:	
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 31,2015	
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: On May 31, 2009 a fire broke out in a factory premises of **Al- Musawer Manufacturing Company** Limited. Consequently the processing building and the in process inventory were completely destroyed but the storeroom could be saved. After the fire a physical inventory was taken. Raw materials were valued at Rs. 30,000 finished goods at Rs. 50,000 and supplies at 5,000.

Inventories on January 1, 2009 consisted of:	
Raw materials	Rs. 20,000
Work in process	Rs. 40,000
Finished goods	Rs. 60,000
Supplies	Rs. 2,000

The financial statements reveal following figures of sale and gross profit for the last five years:

	Sales	**Gross Profit**
200A	Rs. 650,000	Rs. 220,000
200B	Rs. 700,000	Rs. 230,000
200C	Rs. 750,000	Rs. 250,000
200D	Rs. 800,000	Rs. 270,000
200E	Rs. 850,000	Rs. 280,000

Sales for the first five months of 200F were Rs. 450,000. Raw materials purchases were Rs. 175,000. Freight on purchases was Rs. 7,000. Direct labour for the five months was Rs. 80,000. For the past five years factory overhead was at 60% of direct labour.

REQUIRED: Compute the value of work in process inventory lost by fire.

Q.3: Factory overhead absorption rate of Ali Manufacturing Company is Rs. 3 per hour. Budgeted overhead for 10,000 hours per month is Rs. 30,000 and for 16,000 hours per month is Rs.42,000. Actual factory overhead for the month is Rs.44,000 and actual volume is 15,000 hours.

Required:

(1) Variable factory overhead rate.

(2) Budgeted fixed factory overhead.

(3) The capacity hours at which factory overhead applied rate is computed.

(4) Applied factory overhead.

(5) Under or overapplied factory overhead.

(6) Budget variance.

(7) Capacity variance.

Q.4: The book and record of Salman Manufacturing Co. present the following data for the month of February:

Direct labour cost Rs. 16,000 (160% of F.O.H)

Cost of goods sold Rs. 56,000

Inventory accounts showed these opening and closing balances:

	February 1st	**February 28th**
Materials	Rs. 8,000	Rs. 8,600
Work in process	8,000	12,000
Finished goods	14,000	18,000

Marketing expenditure 5% of sales. General expenses and admin expenses 10% of sales. Sales Rs. 75,000.

REQUIRED:

An income statement with supporting schedule showing cost of goods manufactured and sold statement.

Q.5: The standard time for the completion of a certain job is fixed at 200 hours. Normal wages are paid to the workers according to time rate which is Rs. 25 per hour. If the job is completed in lesser time a bonus is paid to the worker calculated on the following lines:
Up to first 20% saving in time 10% of the corresponding saving in time.
For and within next 20% saving in time 25% of the corresponding saving in time.
For and within next 30% saving in time 50% of the corresponding saving in time.
For and within next 30% saving in time 30% of the corresponding saving in time.

Required: Compute the total earning and earning per hour of the following workers:

Workers	Time Taken (Hours)
Arshad	210

Amjad	160
Nazar	120
Naheed	50

Q.6: During the year 2012 Shammusdeen & Co. ltd. Produced 750,000 units. At this activity level factory overhead cost were Rs.1, 100,000. Before the start of 2012 accountant of the company estimated annual activity level as 850,000 units and factory overhead as Rs.1,275,000. Thus, factory overhead applied rate was Rs.1.50 per unit 60% of factory overhead applied rate is composed of variable cost.

Required:

(1) Budgeted fixed factory overhead.

(2) Under or overapplied factory overhead.

(3) Volume variance.

(4) Budget variance.

Q.7: An operator engaged in machining certain components receives an ordinary day rate of Rs. 160 per day of 8 hours, the standard output for machining the components has been fixed at 80 pieces per hour (time as fixed for premium bonus). On a certain day the output of the worker on this machine is 800 pieces. Find labour cost per 100 pieces and the wages that would have been actually earned by the workman under the following:
(a) If paid for on straight piecework basis at the standard rate.
(b) If Hasley premium bonus system is being adopted.
(c) If a bonus of Rs. 23 is paid per 100 units of the extra output.

Q.8: Explain the difference between periodic inventory system and perpetual inventory system.
Which of these two systems is better?