University of the Punjab
Part II Annual 2017 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: A company manufactures computer bags. The following information was taken from the record of the company for the year ended December 31, 2010.
Material inventory was decreased by Rs 20000 and the remaining inventories were as follows:

Inventory	Beginning	Ending
Material in process	Rs. 10000	Rs 15000
Labour in process	4000	8000
FOH in process	3000	6000
Finished goods (200 units)	116000	(100 units)

Purchases during the year were Rs 410000 whereas purchases returns were Rs 10000. FOH were 60% of direct labour cost. Cost of material used was 70% of manufacturing cost. The number of finished units sold during the year was 1100.
At the end of the year, it was ascertained that actual FOH were Rs 90000
Required:
1- Prepare cost of goods manufactured and sold statement
2- Calculate per unit cost for the current year.
3- Find out per unit cost of the last year.

Q.2: Saqib Manufacturing Company produces a single product and uses process costing. The cost incurred by the Blending Department during the month of May 2010 was as follows:

Direct Material Cost	Rs.70000
Direct Labour Cost	Rs. 48000
Factory Overheads	Rs. 33000

The quantity schedule provided the following information:

Units received from previous department	15000 @ Rs 10.5 each
Units completed and transferred	8000

Units completed but in hand	2000
Units in process	4000
Units lost during the process	1000

Units in process were 50% complete as to labour and 25% as to FOH. All materials were put in process at the beginning of the process.

Required:

Prepare a cost of production report for the Blending Department for the month of May, 2010.

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Q.3: The following budgeted figures are available for the coming period.

Factory overheads	Rs. 100,000
Direct material cost	Rs. 200,000
Direct labour cost	Rs. 100,000
Direct labour hours	20000
Machine hours	10000
Units of output	5000

Required:

a) Calculate FOH applied rate based on direct material cost, direct labour cost, direct labour hours, machine hours, units of output and prime cost.

b) During the period, an order for 500 units was received. The following further information is available for this order.

Direct material cost	Rs. 20,000
Direct labour cost	Rs. 7,000
Direct labour hours	2000

Calculate the cost of this order using FOH rate based on direct labour cost, direct labour hours and prime cost.

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Q.4: Zaman Manufacturing Company produces a product. F.O.H. variance analysis is carried out monthly. The cost accountant wants to calculate the variances for the month of March where 12,000 units were produced and the actual of F.O.H. were Rs. 190,000.

The following further information is available.

During the month of January 10,000 units were produced incurring Rs. 160,000 of actual F.O.H. There was a spending variance of Rs. 10,000 Dr. with no capacity variance.

During February, the actual output was 15,000 units and actual F.O.H. were Rs. 185,000. Spending variance of Rs. 15,000 Cr. and capacity variance of Rs 25,000 Cr. were recorded during the month.

Required:

i. Overall variance of March
ii. Spending variance for March
iii. Capacity variance for March
iv. Verify your overall variance for March
v. Verify capacity variance for February
vi. Define Normal Capacity

Q.5: The payroll sheet of a company shows the following information:

Direct labour cost	Rs. 500,000
Indirect labour cost	Rs. 200,000
Sale salaries	Rs. 400,000
Office salaries	Rs. 300,000

Deductions are made as follows:
Provident fund 10%
Income tax 5%
Employer contributes an equal amount towards provident fund.
Required:
a) Record the journal entries for the payroll.
b) When sold goods are returned, what entries are passed?
c) Under what circumstances separate looks for factory and head office are maintained.

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Q.6: A company purchases a certain material in lots of 900 units which is one quarter supply. The cost to place an order is Rs. 100 and carrying cost is 10%. The cost per unit of the material is Rs. 20.

Required:

(a) How much the company can save per year by following the Economic Order Quantity?

(b) Define lead time.

Q.7: Four direct workers are engaged in an operation for which standard production time per piece is determined as 48 seconds. Standard hourly rate of the workers is Rs.33.75. During a 40 hours week output of the four workers is as follow:

A = 2,800 pieces **B** = 2,900 pieces

C = 3,000 pieces **D** = 3,200 pieces

Wages of the workers are computed under straight piece rate but time rate earnings are guaranteed to the workers.

Required:

1. Compute wages earned by each worker.

2. Compute distribution of wages between work in process and factory overheads.

Q.8: Discuss the various classification of cost.

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