



UNIVERSITY OF THE PUNJAB

Associate Degree in Commerce /B.Com. Part – II Annual Exam – 2020

Roll No.

Subject: Cost Accounting

Paper: BC-406

Time: 3 Hrs. Marks: 100

NOTE: Attempt any FIVE questions. All questions carry equal marks.

Q. 1 Head office of Al-Wakeel Wood Works is in Lahore and its factory is in Gujrat. Following information pertains to its payroll of a certain month:

Direct labor.....	Rs.500,000
Indirect labor.....	Rs. 50,000
Sales salaries.....	Rs.100,000
Office salaries.....	Rs. 50,000
Total.....	Rs.700,000

Deduction of income tax of employees for the month totaled Rs.10,000. Provident Fund at the rate of 7% and Welfare Fund at the rate of 3% is deducted from gross earnings of all employees. Employer also contributes to Provident Fund and Welfare Fund at the same rates as the rates of deductions. Net amount of salaries and wages payable to employees is paid.

Required: Prepare journal entries to record the above transactions in general office books and factory office books.

Q. 2 Al-Muqtadir Manufacturing Concern provides following data relating to its operations from January 1 to June 30:

Changes in inventory:

Finished goods decreased by	Rs. 60,000
Work in process decreased by	Rs. 40,000
Raw materials increased by	Rs. 24,400
Raw materials purchased	Rs. 473,300
Purchases returns and allowances	Rs. 15,300
Purchase discounts	Rs. 8,700
Transportation in	Rs. 17,700
Direct labour cost	Rs. 316,300
Manufacturing overhead	Rs. 141,100

Required: From the above information compute the following:

- Total current manufacturing cost.
- Cost of goods manufactured.
- Cost of goods sold.

Q. 3 Yaqoob Yarn Factory reports following production data for its Department No. 2:

Transferred in from Department No. 1	50,000 Units
Transferred out to Department No. 3	44,000 Units
Normal loss in process	2,000 Units

Remaining units are in process and $\frac{1}{4}$ complete.

Costing department collects following data as to costs in Department No. 2:

Per unit cost of units from Department No. 1	Rs. 12.00
Labor cost in Department No. 2	Rs.216,000
Manufacturing overhead in Department No. 2	Rs.121,500

All materials are put in process in Department No. 1

Required: A cost of production report for department 2.

Q. 4 Following transactions relate to an item of materials coded as T-29 used by Hashir Handicrafts in its manufacturing operations:

Nov. 1.....	Balance b/d	200 units @ Rs. 25
Nov. 5	Purchase	300 units @ Rs. 27
Nov. 8	Issue.....	250 units
Nov.12	Purchase	200 units @ Rs. 28
Nov.14	Return to supplier, purchased on Nov.5	50 units
Nov.20	Issue.....	250 units
Nov.22	Return to storeroom	20 units
Nov.26	Purchase	300 units @ Rs. 30
Nov.30.....	Issue.....	250 units

Required: Prepare Perpetual Inventory Cards and calculate cost of material used and in ending inventory under each of the following methods:

- (a) First in, First out,
- (b) Last-in, First out, and
- (c) Average Costing.

Q. 5 From the books and records of Mobeen Art Press it is found that average daily requirement of 20x30-90 gm. art paper is 50 reams. Maximum monthly requirement of the art paper does not exceed 2,500 reams and minimum requirement during any month is not likely to fall below 1,000 reams. Time required to secure delivery from supplier is usually 15 days. Economic order quantity is 1,200 reams.

Required: Determine minimum and maximum limits and also order level. If three days are sufficient to receive emergency supply, determine danger level also.

Q. 6 A worker takes 9 hours to complete a job on daily wages and 6 hours on a scheme of payment by results. His day rate is Rs.7.50 per hour. Materials cost of the product is Rs.400 and overheads are recovered at 150% of total direct wages.

Required: Calculate factory cost of the product under:

- (1) Piece Work Plan.
- (2) Halsey Plan.
- (3) Rowan Plan.

Q. 7 A factory prepares following budget as to its factory overhead.

Fixed factory overhead per month	Rs.300,000
Variable factory overhead	Rs. 40 per unit
Normal volume per month	15,000 units
Following data of actual results are collected at the end of month:	
Total factory overhead	Rs.990,000
Total output	17,500 units

- Required:**
- (a) Factory overhead absorption rate.
 - (b) Under or over absorbed factory overhead.
 - (c) Budget variance.
 - (d) Capacity variance.

Q. 8 Explain the followings:

- (i) Production department
- (ii) Service department
- (iii) Allocation of factory overhead.
- (iv) Applied Factory Overhead