Question No.1

The Enterprise Manufacturing Company had the following inventories on 1st October:

Raw Materials	Rs. 33,000
Work in process - Materials	Rs. 12,000
Work in process - Labour	Rs. 16,000
Work in process –Factory Overhead	Rs. 12,000
Finished Goods	Rs. 18,000

During the month of October the cost of raw materials purchased was Rs. 75,000; Direct labour cost incurred was Rs. 90,000 and factory overhead applied to production was Rs. 60,000.

Inventories on 31st October were:

Raw Materials	Rs. 25,000
Work in process - Materials	Rs. 10,000
Work in process - Labour	Rs. 12,000
Work in process – Factory Overhead	Rs. 6,000
Finished Goods	Rs. 28,000

Required:

Prepare the necessary Journal entries on 31st October to show flow of costs through proper summary / control accounts.

Question No.2

Latino Tools Co. Ltd. Provides following incomplete information at the end of its accounting year:

Sales for the year		Rs. 540,000
Cost of goods sold for the year		Rs. 324,000
Materials purchased during the year		?
Direct Labour		Rs. 115,200
Cost of goods available for sale		Rs. 465,000
Income tax for the year		Rs. 12,000
Inventories:	**Beginning**	**Ending**
Materials	63,000	67,500
Work in process	75,600	104,400
Finished goods	?	?

Direct materials used during the year is equal to 70% of cost of goods sold. Factory overhead is 2/3rd of direct labour cost. Selling expenses are 7.5% of sales and administrative expenses are 2.5% of sales.

Required: Prepare complete income statement from the incomplete information given above.

Question No.3

The star Manufacturing Company uses process cost system Costs of Department 2 for the month of May were as under:

Cost from preceding department		Rs.20,000
Cost Added:		
Materials	Rs. 21,816	
Labour	Rs. 7,776	
Factory Overhead	Rs. 4,104	Rs. 33,696

The following information was obtained from the department's quantity schedule:

Units received	5,000
Units transferred out	4,000
Units still in process	1,000

The degree of completion of work in process was:

50% of the units were 40% complete,

20% of the units were 30% complete, and

Balance of the units were 20% complete.

Required: Prepare cost of production report of Department 2 for May.

Question No.4

Production of an order consisting 800 units requires direct materials of Rs. 350,000 and direct labour of Rs. 250,000. Factory overhead is applied at the rate of 80% of direct labour cost. After completion of the order, 16 units are classified as spoiled which can be sold for Rs. 4,000. Customer takes delivery of remaining 784 good units and paid in cash the contracted price at the rate of Rs. 1,250 per unit. Spoiled units are sold and Rs. 4,000 received in cash.

Required (1) Journal entries, if the loss is charged to the order.

(2) Journal entries if the loss is charged to factory overhead.

Question No.5

Following data are available with respect to a certain material.

Annual requirement	56,250 units
Cost to place an order	Rs. 100
Annual interest rate	10%
Annual carrying cost per unit	Rs.5
Per unit cost	Rs.50

Required

(1) Economic order quantity.
(2) Number of orders per year
(3) Frequency of orders.

Question No.6

In a factory differential piece rate system is used. The differentials applied are as follows:

90% of standard piece rate for output below standard.

110% of standard piece rate for output at or above standard.

Standard output is 60 units per hour and normal wage rate is Rs.30 per hour. In a 9 hour day worker A produced 520 units, Worker B produced 540 and worker C Produced 560 units.

Required: Calculate day's earnings of A, B and C.

Question No.7

During the year 2018 Shamusdeen & Co, Ltd. Produced 750,000 units. At this activity level factory overhead cost were Rs. 1,100,000.

Before the start of 2018 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

Question No.8

Explain the following:

a. Process cost method

b. Perpetual inventory system

c. First in first out method

d. Expenditure variance