

**QUESTION NO 1**

**Income statement**

**For the year ended 31<sup>st</sup> December 2013**

	Rs.	Rs.
Sales (at sale price)		590,000
<b>Less: Cost of goods sold</b>		
Opening inventory	48,750	
(+) Purchases	<u>450,000</u>	
Cost of goods available for sale	498,750	
(-) Ending Inventory	56,250	442,500
Gross profit		147,500
<b>Less: Operating expenses:</b>		
Selling expenses	11,800	
Administrative expenses	17,700	29,500
Net profit		118,000

**WORKINGS:**

	Rs.
Sales at sale price	590,000
(+) Closing inventory at sale price	75,000
	665,000
(-) Opening inventory at sale price	65,000
Purchases at sale price	600,000
Purchases at cost (600,000 × 75/100)	450,000

$$\text{Rate of cost on sale} = \frac{\text{Cost price}}{\text{Sale price}} \times 100$$

$$= \frac{\text{Rs. } 450,000}{\text{Rs. } 600,000} \times 100$$

$$= 75\%$$

**QUESTION NO 2**

**Khubaib Manufacturing Co.  
Department No 2  
Cost of Production Report  
For the month of June**

**Quantity Schedule:**

Units received from Dept No 1.		5,000
Units transferred out	4,000	
Units still in process	1,000	5,000

**Cost charged to the Dept:**

	<b>Total cost</b>	<b>Unit cost</b>
	<b>Rs.</b>	<b>Rs.</b>
Cost from preceding Dept.	20,000	4.00
Cost added by the Dept.		
Material	21,816	5.05
Labour	7,776	1.80
FOH	4,104	0.95
Total cost to be accounted for	53,696	11.50

**Cost accounted for as follows:**

	<b>Rs.</b>	<b>Rs.</b>
Units transferred out (4,000 × 11.80)		47,280
WIP Inventory from preceding dept. (1.00 × 4)	4,000	
Material (320 × 5.05)	1,616	
Labour (320 × 1.80)	576	
FOH (320 × 0.95)	304	6,496

**Total cost accounted for**

**53,696**

**Computation explain:**

Equivalent production:

Units transferred out		4,000
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Add: Units in process:

= 50% × 100 × 40%	=	200	
= 20% × 100 × 30%	=	60	
= 30% × 100 × 20%	=	60	320
			4,320

**Unit cost:**

$$\text{Material} = \frac{21,816}{4,320} = \text{Rs. } 5.05$$

$$\text{Labour} = \frac{7,776}{320} = \text{Rs. } 1.80$$

$$\text{FOH} = \frac{4,104}{430} = \text{Rs. } 0.95$$

**QUESTION NO 3**

Sr #	Cost of reworked charged to job	Cost of rework not charged to job
(i)	WIP material Rs. 25,000 WIP labour 50,000 WIP FOH 25,000 Material Rs.25,000 Labour 50,000 FOH applied 25,000	WIP material Rs. 25,000 WIP labour 50,000 WIP FOH 25,000 Material Rs.25,000 Labour 50,000 FOH applied 25,000
(ii)	WIP material Rs. 2,000 WIP labour 2,000 WIP FOH 1,000 Material Rs. 2,000 Labour 2,000 FOH applied 1,000	FOH Control Rs. 5,000 Material Rs. 2,000 Payroll 2,000 FOH Applied 1,000
(iii)	Finished goods Rs.105,000 WIP material Rs. 27,000 WIP labour 52,000 WIP FOH 26,000	Finished goods Rs.100,000 WIP material Rs. 25,000 WIP labour 50,000 WIP FOH 25,000
	Per unit cost = $\frac{105,000}{500} = \text{Rs. } 210$	Per unit cost = $\frac{100,000}{500} = \text{Rs. } 200$

**QUESTION NO 4**

A = 23,400 and B = 20,000 So

$$A = 23,400 + 20\% B = 23,400 + 0.2B \quad B = 30,000 + 10\% A = 30,000 + 0.1A$$

$$A = 23,400 + 0.2(30,000 + 0.1A) \quad B = 30,000 + 0.1(30,000) = 30,000 + 3,000$$

$$A = 23,400 + 6,000 + 0.2A$$

$$B = \text{Rs. } 33,000$$

$$A = 29,400 + 0.2A$$

$$0.98A = \text{Rs. } 29,400$$

$$A = \mathbf{30,000}$$

**Distribution Summary**

	Production Depts.			Received Depts.	
	X Rs	Y Rs.	Z Rs.	A Rs.	B Rs.
Original Costs	80,000	70,000	50,000	23,400	30,000
Distribution A	6,000	12,000	9,000	(30,000)	3,000
Distribution B	13,200	6,600	6,600	6,600	(33,000)
	<b>99,200</b>	<b>55,600</b>	<b>65,600</b>	<b>Nil</b>	<b>Nil</b>

FOH absorption rate

Rs. 70

Variable FOH absorption rate

30

Fixed FOH absorption rate

40

$$(a) \text{ Budgeted capacity} = \frac{\text{Fixed FOH}}{\text{Fixed FOH absorption rate}}$$

$$\frac{\text{Rs. } 4,000,000}{\text{Rs. } 40}$$

$$= 100,000 \text{ hrs}$$

**(b) Under Over Applied F.O.H**

Applied FOH

Rs. 8,000,000

Applied FOH (110,000 × 70)

7,700,000

Under applied FOH

300,000

**Budget variance:**

Actual FOH

Rs. 8,000,000

Budget FOH for capacity attained fixed:

Fixed

Rs. 4,000,000

Variable (110,000 × 300)

3,300,000

7,300,000

(Unfavorable)

700,000

**Volume Variance:**

Budgeted FOH

Rs. 7,300,000

Applied FOH

7,700,000

Volume variance (Favorable)

400,000

**QUESTION NO 6**

**Calculation of Normal and Overtime wages**

Days	Abdullah					Ahmad				
	Hrs worked	Normal hrs	Overtime hrs	Normal wages Rs.	Overtime wages Rs.	Hrs worked	Normal hrs	Overtime hrs	Normal wages Rs.	Overtime wages Rs.
Mon	10	8	2	640	320	9	8	1	640	160
Tues	11	8	3	640	480	10	8	2	640	320
Wed	9	8	1	640	160	9	8	1	640	160
Thurs	8	8	-	640	-	10	8	2	640	320
Fri	9	8	1	640	160	8	8	-	640	-
Sat	8	8	-	640	-	4	4	-	320	-
				<b>3,840</b>	<b>1,120</b>				<b>3,520</b>	<b>900</b>

**OR**

**Calculation of Regular Wages & Overtime Premium**

Days	Abdullah				Ahmad			
	Hrs worked	Overtime hrs	Regular wages Rs.	Overtime premium Rs.	Hrs worked	Overtime hrs	Regular wages Rs.	Overtime wages Rs.
Mon	10	2	800	100	9	1	720	80
Tues	11	3	880	240	10	2	800	160
Wed	9	1	720	80	9	1	720	80
Thurs	8	-	640	-	10	2	800	160
Fri	9	1	720	80	8	-	640	-
Sat	8	-	640	-	4	-	320	-
			<b>4,400</b>	<b>560</b>			<b>4,000</b>	<b>480</b>
<b>Total = 4,400 + 560 = Rs. 4,960</b>					<b>Total = 4,000 + 480 = Rs. 4,480</b>			

**QUESTION NO 7**

**Journal**

Sr #	General office	Factory office
i	Payroll Rs. 800,000 Accrued payroll Rs. 680,000 Income tax payable 40,000 Provident fund payable 80,000	
ii	Accrued payroll Rs. 680,000 Voucher payable Rs. 680,000	
iii	Voucher payable Rs. 680,000 Bank / Cash Rs. 680,000	
iv	Factory ledger Rs. 550,000 Selling exp control 150,000 Admexp control 100,000 Payroll Rs. 800,000	WIP 450,000 FOH 106,000 General ledger 550,000
v	Factory ledger Rs. 82,500 Selling exp control 22,500 Admexp control 15,000 Provident fund payable Rs. 800,000 Social security fund payable 40,000	FOH control 82,500 General ledger 82,500