



# UNIVERSITY OF THE PUNJAB

PART – II : 2<sup>nd</sup> Annual – 2018

Examination: B. Com.

Roll No. ....

Subject: Cost Accounting

PAPER: BC-406

TIME ALLOWED: 3 Hrs.

MAX. MARKS: 100

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

**Q. No.1.** Following is summary of transactions that take place at Khubaib Manufacturing Company Limited during the month of April 2016:

|     |   |     |         |
|-----|---|-----|---------|
| (a) | Materials purchased, received and recorded  | Rs. | 265,000 |
| (b) | Materials requisitioned on job No. 101, 102 and 103   | Rs. | 235,000 |
| (c) | Indirect materials requisitioned  | Rs. | 10,000  |
| (d) | Materials returned to the supplier  | Rs. | 6,000   |
| (e) | Excess materials returned from the factory to storeroom<br>(This return is applicable to job No. 102) | Rs. | 9,000   |
| (f) | Payments of wages and salaries were made based on the following information:                          |     |         |
|     | Time Tickets on Jobs No. 101, 102 and 103 (4,000 hours)   | Rs. | 250,000 |
|     | Clock Cards and Time Tickets for all other indirect labor   | Rs. | 60,000  |
|     | Sales salaries and commission   | Rs. | 100,000 |
|     | Office and general administration payroll   | Rs. | 40,000  |
|     | Total   | Rs. | 450,000 |

Employees provident fund contribution: 3% of total wages, income tax withheld Rs.6,500.

- (g) The company contributes 3% as its contribution of provident fund.  
(h) Factory overhead control account in Voucher Register was debited for Rs.70,000.  
Month end adjusting entries charged for depreciation Rs.30,000 and for insurance Rs.10,000.  
(i) Factory overhead is applied at the rate of 70% of direct labor cost.  
(j) Goods costing Rs.625,000 were completed.  
(k) Goods costing Rs.590,000 were sold for Rs.950,000 (Rs.200,000 for cash).

**Required:** pass journal entries in the factory office books and general office books

**Q. No.2.** Following data have been taken from the records of Al-Khaliq Corporation:

|                     | Jan.1   | Dec.31 |
|---------------------|---------|--------|
|                     | Rs.     | Rs.    |
| <b>Inventories:</b> |         |        |
| Raw materials       | 15,000  | 20,000 |
| Work in process     | 31,500  | 28,400 |
| Finished goods      | 134,000 | ?      |

**Other information:**

|                         |         |
|-------------------------|---------|
| Raw materials purchased | 295,000 |
| Direct labor cost       | 106,000 |
| Freight in              | 4,000   |
| Purchase discount       | 2,000   |

Factory overhead is applied @ 75% of direct labour cost.

Finished goods inventory on January 4,000 units and December 31, 3,500 units. Sales during the year, 14,000 units at Rs.52 per unit.

- Required:**
1. Number of Units manufactured.
  2. Cost of goods manufactured.
  3. Cost per unit manufactured.
  4. Cost of finished goods inventory on 31<sup>st</sup> December.
  5. Cost of goods sold.
  6. Gross profit --- total and per unit.

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**Q. No.3.** Al-Ba' is Industry reported the following production data for its department No.2:

|                                     |              |
|-------------------------------------|--------------|
| Transferred in from department No.1 | 55,000 Units |
| Transferred out to department No. 3 | 39,500 Units |
| Units lost in process               | 5,000 Units  |

The remaining units were in process 1/3 complete as to labor and overhead. All materials were put in process in department No. 1. Costing department collected following figures for department No. 2:

|                                     |     |        |
|-------------------------------------|-----|--------|
| Unit cost received in               | Rs. | 1.80   |
| Labor cost in department No.2       | Rs. | 27,520 |
| Applied overhead in department No.2 | Rs. | 15,480 |

**Required:** A cost of production report for department 2

**Q. No.4.** A job order calling for 50 motors is sent through the factory. Cost elements per motor are:

|                                |     |     |
|--------------------------------|-----|-----|
| Material                       | Rs. | 110 |
| Labour                         | Rs. | 175 |
| Predetermined Factory overhead | Rs. | 125 |

After the motors had been manufactured, final inspection discovered that 2 motors were spoiled and would have to be sold as seconds at a price of Rs. 100 each, whereas, one motor was defective which would required Rs. 50 of additional materials, and Rs. 50 and Rs. 25 of additional labour and factory overhead.

**Required:** Prepare journal entries:

- When the loss is charged to specific job.
- When the loss is not so charged.

**Q.5** Abdullah and Ahmed are two workers in assembling department of a manufacturing concern. During each day of previous week their hours worked are as under:

| Days      | Hours Worked |       |
|-----------|--------------|-------|
|           | Abdullah     | Ahmed |
| Monday    | 10           | 9     |
| Tuesday   | 11           | 10    |
| Wednesday | 9            | 9     |
| Thursday  | 8            | 10    |
| Friday    | 9            | 8     |
| Saturday  | 8            | 4     |

**Required:** Normal and overtime wages of Abdullah and Ahmed for the week if:

- Normal working hours are 8.
- Normal rate of Rs. 80 per hour.
- Workers are paid at double the normal rate for overtime.

**Q. No.6.** A Company estimated its factory overhead for the next period at Rs.300,000. It is estimated that 40,000 units will be produced at a materials cost of Rs.400,000. Production will require 50,000 man hours at an estimated wage cost of Rs.600,000. The machines will run about 25,000 hours.

**Required:** (1) Factory overhead rate that may be used in applying factory overhead to production on each of the following basis:  
 (i) direct materials cost, (ii) direct labor hours,  
 (iii) direct labor cost and (iv) machine hours.  
 (2) Total cost of Job No. 616 consisting of 100 units by each rate in (1) above.  
 (Job No.616: direct materials Rs.24,000; direct labor Rs.45,000; direct labor hours 3,500; and machine hours 2000)

**Q. No.7.** Factory overhead burden rate of Kings Chemical Industries is Rs.2.25 pr hour. Budgeted overhead at two activity levels is as under

|                |                           |
|----------------|---------------------------|
| Activity Level | Budgeted Factory overhead |
| 15,000 hours   | Rs.40,000                 |
| 35,000 hours   | Rs.60,000                 |

Actual factory overhead for the period was Rs.49,800 and actual volume was 25,000 hours.

**Required:** (i) Variable overhead burden rate. (ii) Budgeted fixed overhead.  
 (iii) Budgeted volume at which the burden rate is computed.  
 (iv) Applied overhead. (v) Under or overapplied overhead.  
 (vi) Volume variance. (vii) Spending variance.

**Q. No.8.** Explain the difference between Financial accounting and cost accounting.