

**QUESTION NO 1**

**Akram Manufacturing Company**

**Cost of goods sold statement**

**For the period ended .....**

	Rs.	Rs.
<b><u>Direct Material:</u></b>		
Raw material Purchases	150,000	
<b>Less:</b> Purchases Return	<u>2,000</u>	
	148,000	
<b>Less:</b> Raw material inventory increase by	<u>15,500</u>	
Raw material used / Consumed / Put into process		132,500
<b>Add:</b> Direct Labour Cost		<u>125,000</u>
Prime Cost		257,500
<b>Add:</b> Manufacturing Overhead		<u>75,000</u>
Total Factory Cost		332,500
<b>Add:</b> Work in process Inventory Decrease by		<u>18,900</u>
<b>Cost of goods manufactured</b>		<b>351,400</b>
<b>Less:</b> Finished Goods Inventory Increase by		<u>(8,700)</u>
<b>Cost of goods sold</b>		<b><u>342,700</u></b>

**QUESTION NO 2**

**(a) Schedule of Equivalent Production:**

Material =  $1,616 \div 10 + (70 \times 4/5) = 1,682$  units

Labour =  $1,616 \div 10 + (70 \times 3/5) = 1,668$  units

F.O.H =  $1,616 \div 10 + (70 \times 3/5) = 1,668$  units

(a) **Cost of Production Report:**

**Zakir electric Industry**  
**Department No 2**  
**Cost of Production report**  
**For the period ended April .....**

1. <b><u>Quantity Schedule:</u></b>	Units	Units
Units received from preceding department		<u>1,700</u>
Units completed and transferred	1,616	
Units completed but not transferred	10	
Units still in process	70	
Units lost in process (Normal)	4	
		<u>1,700</u>
2. <b><u>Cost charged to the department:</u></b>	Cost Rs.	P.U. Cost Rs.
i. Cost received from preceding dept.	<u>4,324,800</u>	<u>2,544</u>
ii. <b><u>Cost added by the dept.</u></b>		
Material cost	3,767,680	2,240
Labour cost	420,336	252
F.O.H Cost	380,304	228
Revised per unit cost (Due to lost units)	-	<u>2,550</u>
	<u>8,893,120</u>	<u>5,270</u>
3. <b><u>Cost accounted for as follows:</u></b>	Rs.	Rs.
<b><u>a. Cost of units completed &amp; transferred</u></b>		
= 1,616 units × Rs. 5,270 =		8,516,320
<b><u>b. Cost of units completed but not transferred:</u></b>		
= 10 units × Rs. 5,270 =		52,700
<b><u>c. Cost of units still in process</u></b>		
i. <u>Cost received from preceding dept.</u>		
= 70 units × Rs. 2,550 =	178,500	
ii. <u>Cost added by the dept.</u>		
Material Cost = 70 × 4/5 × Rs. 2,240 =	125,440	
Labour cost = 70 × 3/5 × Rs. 252 =	10,584	
F.O.H Cost = 70 × 3/5 × Rs. 228 =	9,576	
		324,100
<b>Total cost accounted for</b>		<b>8,893,120</b>

**4. Computation explanation:**

i. Equivalent production:

Material = 1,682 units

Labour = 1,668 units

F.O.H = 1,668 units

ii. Per unit cost \_\_\_\_\_ Rs.

Material cost = 3,767,680 ÷ 1,682 = 2,240

Labour cost = 420,336 ÷ 1,668 = 252

F.O.H cost = 380,304 ÷ 1,668 = 228

iii. Revised per unit cost of preceding dept.

(Due to lost units)

= 4,324,800

1,696

**QUESTION NO 3**

i. **Economic Order Quantity:**

Annual Maximum requirement = R = 48,000 units

Per Unit Cost = Rs. 4 per unit

Ordering Cost = P = Rs. 9 per order

Carrying Cost = C = 15% =  $4 \times \frac{15}{100} = Rs. 0.60$

$$\begin{aligned} \text{E.O.Q} &= \frac{\sqrt{2 \times R \times P}}{C \times I} \\ &= \frac{\sqrt{2 \times 48,000 \times 9}}{0.60} \end{aligned}$$

E.O.Q = 1,200 units

ii. **Number of order needs to be placed:**

$$\text{No of orders} = \frac{\text{Annual Maximum Requirement}}{E.O.Q}$$

$$= \frac{48,000 \text{ units}}{1,200 \text{ units}}$$

No of orders = 40 orders

**QUESTION NO 4**

**i. The overhead rate per pound:**

$$\text{Overhead rate per pound} = \frac{\text{Annual estimated F.O.H Cost for normal capacity}}{\text{Annual Normal Capacity}}$$

$$= \frac{\text{Rs.144,000}}{180,000 \text{ pounds}}$$

Overhead Rate = Rs. 0.80 per pound

**ii. Spending Variance for June:**

	<u>Rs.</u>	<u>Rs.</u>
Actual F.O.H Cost		7,700
<u>Estimated F.O.H Cost for 10,000 pounds:</u>		
Fixed F.O.H Cost = 36,000 / 12	= 3,000	
+ <u>Variable F.O.H Cost:</u>		
= 10,000 Pounds × Rs. 0.60 (w-1)	= 6,000	9,000
<b>Favorable</b>		<b><u>1,300</u></b>

**iii. Idle Capacity Variance for June:**

		<u>Rs.</u>
Estimated F.O.H Cost for 10,000 pounds =		9,000
Applied F.O.H Cost:		
= 10,000 pounds × Rs. 0.80	=	8,000
<b>Unfavorable</b>		<b><u>(1,000)</u></b>



**b. Amjad**

Standard Time= 200 hours

Time taken = 160 hours

Time saved = 40 hours

$$\text{Time saved in \%age} = \frac{\text{Time saved}}{\text{Standard time}} \times 100$$

$$= \frac{40 \text{ hours}}{200 \text{ hours}} \times 100$$

$$= 20\%$$

Basic wage rate per hour = Rs. 25

<u>Time saved in % age</u>	<u>Time Saved in Hours</u>	<u>Bonus rate</u>
20%	(200 × 20%) =40 hrs	10%

**Total earnings:**

Basic wage

$$= \text{Time taken} \times \text{Rate per hour}$$

$$= 160 \text{ hours} \times \text{Rs. } 25 = 4,000$$

+ Bonus

$$= 40 \text{ hours} \times 25 \times \frac{10}{100} = 100$$

Total earnings 4,100

**Earning per hour:**

$$= \frac{\text{Total earning}}{\text{Time taken}}$$

$$= \frac{\text{Rs. } 4,100}{160 \text{ hours}}$$

Earnings Per hour = Rs. 25.625

**c. Nazar:**

Standard time = 200 hours

Time taken = 120 hours

Time saved = 80 hours

$$\begin{aligned} \text{Time saved in \% age} &= \frac{\text{Time saved}}{\text{Standard Time}} \times 100 \\ &= \frac{80 \text{ hours}}{200 \text{ hours}} \times 100 \\ &= 40\% \end{aligned}$$

Basic wage rate = Rs. 25 per hour

<u>Time saved in % age</u>	<u>Time Saved in Hours</u>	<u>Bonus rate</u>
20%	(200 × 20%) = 40 hrs	10%
20%	(200 × 20%) = 40 hrs	25%
40%	80 hours	
<b><u>Total earnings:</u></b>		
	<b>Rs.</b>	<b>Rs.</b>
<u>Basic wage</u>		
= Time taken × Basic wage rate per hour		
= 120 hours × Rs. 25 =		3,000
+ Bonus		
= Time saved × rate per hour × bonus rate		
= 40 hours × Rs. 25 × 10% =	100	
= 40 hours × Rs. 25 × 25% =	250	350
Total earnings		3,350

**Earning per hour:**

$$\begin{aligned} &= \frac{\text{Total earnings}}{\text{Time taken}} \\ &= \frac{\text{Rs. 3,350}}{120 \text{ hours}} \end{aligned}$$

Earning per hour = Rs. 27.9167

**d. Naheed:**

Standard time = 200 hours

Time taken = 50 hours

Time saved = 150 hours

$$\begin{aligned} \text{Time saved in \% age} &= \frac{\text{Time saved}}{\text{Standard Time}} \times 100 \\ &= \frac{150 \text{ hours}}{200 \text{ hours}} \times 100 \end{aligned}$$

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= 75%  
Basic wage rate = Rs. 25 per hour

<u>Time saved in % age</u>	<u>Time Saved in Hours</u>	<u>Bonus rate</u>
<u>20%</u>	<u>(200 × 20%) =40 hrs</u>	<u>10%</u>
<u>30%</u>	<u>(200 × 20%) =40 hrs</u>	<u>25%</u>
<u>30%</u>	<u>(200 × 30%) =60 hrs</u>	<u>50%</u>
<u>5%</u>	<u>(200 × 5%) =10 hrs</u>	<u>30%</u>
75%	<u>150 hours</u>	

<u>Total earnings:</u>	<b>Rs.</b>	<b>Rs.</b>
<u>Basic wage</u>		
= Time taken × Basic wage rate per hour		
= 50 hours × Rs. 25 =		1,250
+ Bonus		
= Time saved × rate per hour × bonus rate		
= 40 hours × Rs. 25 × 10% =	100	
= 40 hours × Rs. 25 × 25% =	250	
= 60 hours × Rs. 25 × 50% =	750	
= 10 hours × Rs. 25 × 30% =	75	1,175
Total earnings		<u>2,425</u>

**Earning per hour:**

$$= \frac{\text{Total earnings}}{\text{Time taken}}$$

$$= \frac{\text{Rs. 2,425}}{50 \text{ hours}}$$

Earning per hour = Rs. 48.50

## QUESTION NO 6

### General Ledger's Journal

Head office books (General Ledger)	Factory office books (Factory Ledger)
(a)(i) Factory Ledger      160,000 Voucher payable      160,000 (Direct material and indirect material purchased and sent to factory)	Store      160,000 General Ledger      160,000 (Direct material and indirect material received from head office)
(ii) Voucher payable      5,000 Factory Ledger      5,000	General Ledger      5,000 Store      5,000



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(Direct material return to supplier) (b)(i) Selling expense           5,000 Factory Ledger               5,000 (Material supplies issues from store)	(Direct material return to supplier) WIP                                   120,000 FOH Control A/c               15,000 General ledger                   5,000 Store                               140,000 (Material issued from store)
(ii) No entry	Store                               7,000 WIP                                   5,000 FOH Control                   2,000 (Material returned to store)
(c) Factory Ledger           10,000 Voucher payable           10,000 (Direct material purchased and sent to factory)	WIP                                   10,000 General Ledger               10,000 (Direct material received from head office and sent for production)
(d)(i) Payroll               125,000 Income tax payable           5,000 Provident fund payable   12,500 Accrued payroll               107,500 (Total payroll and deduction recorded)	No entry
(ii) Accrued payroll       107,500 Voucher payable       107,500 (Accrued payroll vouched)	No entry
(iii) Voucher payable 107,500 Cash A/c                       107,500 (Amount of voucher paid)	No entry
(iv) Selling expense       20,000 Administrative expense   15,000 Factory ledger            90,000 Payroll                    125,000 (Distribution of total payroll)	WIP                                   120,000 FOH Control A/c               15,000 General ledger               5,000 (Distribution of factory payroll)
(v) Selling expense       2,000 Administrative expense   1,500 Factory ledger            9,000 Provident fund           12,500 (Employer's contribution in employee's provident fund)	FOH Control A/c               9,000 General ledger               9,000 (Employer's contribution in employee's provident fund)
(e) Factory ledger           50,000 Prepaid insurance           5,000 Accumulated Dep           10,000 Voucher Payable           35,000 (Factory overhead recorded)	FOH Control A/c               50,000 General ledger               50,000 (Factory overhead recorded)
(f) Administrative Expenses   6,000 Selling expenses       4,000 Accumulated Dep       10,000 (Depreciation expenses recorded)	No entry
(g) Voucher payable       110,000	No entry

