

College Name: _____

Student Name: _____ Seat No: _____

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KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION JUNE 2016; AFFILIATED COLLEGE
COST ACCOUNTING; BA (M)-611 (PART B)
MBA – III

Date: June 11, 2016

Max Time: 90 Mins
Max Marks: 30

INSTRUCTIONS:

1. Attempt any 4 questions. Do not write anything on the question paper.
2. Mobile phone(s) or any other communicating device will not be allowed in the examination room. Students will have to remove the batteries of these devices before entering the examination hall.

Q1 On January 1, the ledger of the Ideal Furniture Company contained, among other accounts, the following: Finished Goods, \$25,000; Work in Process, \$30,000; Materials, \$15,000. During January, the following transactions were completed:

- (a) Materials were purchased at a cost of \$28,000.
- (b) Direct materials in the amount of \$21,000 were issued from the storeroom.
- (c) Storeroom requisitions for indirect materials and supplies amounted to \$3,200.
- (d) The total payroll for January amounted to \$31,000, including marketing salaries of \$7,500 and administrative salaries of \$5,500. Labor time tickets show that \$15,500 of the labor cost was direct labor.
- (e) Various factory overhead costs were incurred for \$12,000 on account.
- (f) Total factory overhead is charged to the work in process account.
- (g) Cost of production completed in January totaled \$58,000, and finished goods in the shipping room on January 31 totaled \$18,000.
- (h) Customers to whom shipments were made during the month were billed for \$88,000. (Also record entry for cost of goods sold.)

Required: Prepare journal entries for the transactions, including the recording, payment, and distribution of the payroll.

Q2 Winkel Woodcrafters produces special-order wood products. The company uses job order costing for pricing and cost accumulation purposes. The following costs were incurred on two recent jobs:

<u>Cost Item</u>	<u>Job Pine-20</u>	<u>Job Birch-10</u>
Direct materials:		
Issued	\$6,500	\$8,000
Returned	500	0
Indirect materials used	500	400
Direct labor	\$9,000	\$15,000
Direct labor rate	\$9 per hour	\$10 per hour
Overhead application rate	\$10 per direct labor hour	\$15 per direct labor hour

The company adds a 50% markup on cost in determining the amount to charge for each job.

Required: Prepare a schedule showing the cost and the amount to be charged for each job.

Q3 On October 1, the Fahad Company had the following inventories: Materials, 200% of WIP beg; WIP, 2/6 of finished goods (beg.); and finished goods, Rs 36,000. During the month, materials purchases totaled Rs 56,000. Direct labor for October was 5% of sales, at a uniform wage of Rs 6.40 per hour. Marketing and administrative expenses for the month amounted to 10% of net sales. Inventories on October 31 were as follows: Materials 20,000; WIP 20% of Direct labor for October; and finished goods, Rs 40,000. Net sales for October totaled 5 times of finished goods ending. FOH is applied on the basis of Rs 8 per direct labor hour.

Required: Define and calculate:

- | | |
|-------------------------------|--------------------|
| 1) Cost Of Goods Manufactured | 4) Conversion Cost |
| 2) Direct material consumed | 5) Direct labor |
| 3) Cost of Goods Sold | |

Q4 Eastern Company uses a standard cost system in which manufacturing overhead is applied to units of product on the basis of standard direct labor-hours (DLHs). The denominator activity level is 60,000 direct labor-hours, or 300,000 units.

- A standard cost card for the company's product follows:

	<i>Standard quantity or hours</i>	<i>Standard price or rate</i>	<i>Standard cost</i>
Direct materials	0.25 kilogram	Rs 16 per kilogram	Rs 4
Direct labor	0.20 DLH	Rs 10 per DLH	2
Variable overhead	0.20 DLH	Rs 5 per DLH	1
Fixed overhead	0.20 DLH	Rs 10 per DLH	2
Total standard cost			Rs 9

- Actual data for the year follow:

Units produced and sold	330,000
Actual direct labor-hours worked	64,800
Actual variable manufacturing overhead cost	Rs 327,240
Actual fixed manufacturing overhead cost	Rs 612,000

Required:

- Compute the variable manufacturing overhead spending and efficiency variances.
- Compute the fixed manufacturing overhead budget and volume variances.

Q5 Cost of Production Report, Second Department, Fifo Costing. Handy Tool Company manufactures a product in two departments, Shaping and Assembly. The product is cut out of sheet metal, bent to shape, and painted in the Shaping Department. Then, it is transferred to the Assembly Department where component parts purchased from outside vendors are added to the unit. A process cost system with a fifo cost flow assumption is used to account for work in process inventories. Data related to November operations in the Assembly Department follow:

Units in beginning inventory (90% materials, 80% labor and overhead)	1,000
Units received from the Shaping Department this period	3,000
Units transferred to Finished Goods Inventory this period	2,800
Units in ending inventory (50% materials, 40% labor and overhead)	1,200

	<u>Beginning</u> <u>Inventory</u>	<u>Added</u> <u>This Period</u>
Costs charged to the department:		
Costs from the preceding department	\$23,600	\$29,250
Materials	7,700	13,375
Direct labor	3,500	9,672
Factory overhead	4,900	16,616

Required: Prepare a November cost of production report on a FIFO basis for the Assembly Department.

Q6 Materials Variance Analyses. Healthy Dinners Inc. packages a frozen fish dinner that consists of 6 ounces of halibut, 4 ounces of asparagus, 5 ounces of rice, and 3 ounces of yogurt. On October 1, the following price standards were set for each batch of 1,000 dinners:

<u>Item</u>	<u>Materials</u> <u>Price Standard</u>
Halibut	\$.60 per ounce
Asparagus	0.25
Rice	0.10
Yogurt	0.20

The actual cost for 1,000 dinners was: halibut, \$.70 per ounce; asparagus \$.20 per ounce; rice, \$.12 per ounce; and yogurt, \$.22 per ounce.

Quantity variances arise from the cooking process. The materials used for the 1,000 dinners in Batch 1099 were:

Halibut	5,500 ounces
Asparagus	3,800
Rice	4,900
Yogurt	3,150

Required: Determine the materials price usage variance and the materials quantity (or usage) variance for Batch 1099. (Indicate whether each variance is favorable or unfavorable.)

END OF SUBJECTIVE PAPER