KARACHI UNIVERSITY BUSINESS SCHOOL

University of Karachi

FINAL EXAMINATION, JUNE 2010: AFFLIATED COLLEGES

COST ACCOUNTING: BA (M) – 611

MBA – III

Date: June 27, 2010 Max Time: 3 Hrs

Attempt any FIVE questions Max Marks: 60

Q#1 Waterlux Company incurred $50, 000 direct labor cost in 19A and had the following selected account balance at the beginning and end of 19A:

	January 1	December 31
Finished Goods	28, 000	45, 000
Work in process	12, 000	14, 000
Materials	17, 000	24, 000
Cost of Goods Sold		140, 000
FOH Control		25, 000

Required: Reconstruct the Journal Entries that the recorded the above information in 19A.

Q#2 (a) Quantity to order. **6 marks**

Gladewater Company's production schedule calls for 5, 000 units of Material B for January operations, 4, 950 for February, and 5, 550 for March. On January 1, the Material B inventory is 5, 600 units, with 4, 100 on order for January delivery and 5, 100 for February delivery. The desired inventory level to begin second-quarter production is 75% of the January 1 inventory. Required: Compute the number of Material B units to order for March delivery.

Q#2 (b) Usage forecasts and inventory balances. **6 marks**

On January 1, a materials analyst is asked to determine the number of units of Material Z to order for March delivery. The production schedule calls for 4,800 units of this material for January operations. 5,000 units for February and 5,600 units for March. On January 1 the Material Z inventory is 6,000 units, 3,800 units are on order for January delivery, and 4,600 units are on order for February delivery. The desired inventory level to begin second quarter production is 80% of the January 1 inventory.

Required:

1. Compute the quantity to order for March delivery.
2. If the planned usage occurs and outstanding orders are received on expected delivery dates. Compute the number of units on hand (a) on March 1 and (b) on March 31.

Q#3 Selected data concerning last year's operations of Televans Company are as follows:

	Inventories	
	Beginning	Ending
Finished Goods	$90	$110
Work in process	80	30
Materials	75	85

Other data:

Materials used	$326
Total manufacturing cost charged to jobs during the year (include materials, direct labor, and factory overhead applied at a rate of 60% of direct labor cost).	$686
Cost of goods available for sale	$826
Marketing and administrative Expenses	$25

Required: Compute the following.

1. Cost of Material Purchased
2. Direct labor cost charged to production
3. Cost of goods manufactured
4. Cost of goods sold.

Q#4 Information concerning Department B of Pace Company is as follows:

Units in beginning inventory	5,000
Units transferred in	35,000
	40,000
Units Completed	37,000
Units in ending inventory	3,000

	Cost			
	Transferred-in	Materials	Conversion	Total Cost
Beginning inventory	$2,900	-----	$3,400	$46,300
Units transferred in	17,500	25,500	15,000	58,000
	20,400	25,500	18,400	62,300

Conversion costs were 20% complete as to the beginning inventory and 40% complete as to the ending inventory. All materials are added at the end of the process. Pace uses average costing.

Required:

1. Compute the cost per equivalent unit for conversion cost rounded to the nearest penny.
2. Determine the portion of the total cost of ending inventory attributable to transferred in cost.

Q#5 Following are eight sets of partial factory overhead data, with favorable variances shown in parentheses:

	Actual Factory Overhead	**Applied Factory Overhead**	**Budget Allowance (Based on Capacity Utilized)**	**Spending Variance**	**Idle Capacity Variance**
a)	$30,000	$29,000	$32,000	$?	$?
b)	?	15,000	?	1,000	7,000
c)	24,000	24,000	?	(6,000)	?
d)	?	?	18,000	1,000	2,000
e)	18,000	20,000	?	3,000	?
f)	27,000	?	?	(6,000)	(2,000)
g)	16,000	16,000	?	-0-	?

Required: Compute the missing figures.

Q#6 The normal capacity of Department-3 is 16,000 direct labor hours per month. At normal capacity, the standard factory overhead rate is $ 10.40 per direct labor hour, based on $64,000 of budgets fixed expenses per month and a variable expense rate of $6.40 per direct labor hour. During November, the department operated at 15,000 direct labor hours, with actual factory overhead of $157,000. The number of standard direct labor hours allowed for the productions actually attend is 15,300.

Required: Compute the overall factory overhead variance and analyze it using **three-variance method-A.** Indicate whether the variances are favorable or unfavorable.

BEST OF LUCK

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSTIY OF KARACHI
FINAL EXAMINATION, JAN 2010: AFFLIATED COLLEGES
COST ACCOUNTING: BA (M) – 611
MBA – III

DATED: 02-01-2010 **MAX MARKS: 60**
INSTRUCTION: ATTEMPT ANY FOUR QUESTIONS **MAX TIME: 3 HOURS**

Q-1. Mat Company's purchases of materials during March totaled $110,000, and the cost of goods sold March was $345,000. Factory overhead was 50% of direct labor cost. Other information pertaining to Mat Company's inventories and production for March is as follows:

Inventories	Beginning	Ending
Finished goods……………………………….	$102,000	$105,000
Work in process……………………………..	40,000	36,000
Materials…………………………………..	20,000	26,000

Required:
1) Prepare a schedule of cost of goods manufactured for March.
2) Compute the prime cost charged to work in process during March
3) Compute the conversion cost charged to work in process during March.

Q-2. Krieger Company is to submit a bid on the production of 11,250 ceramic plates. It is estimated that the cost of materials will be $13,000 and the cost of direct labor will be $15,000 Factory overhead is applied at 2.70 per direct labor hour in the Molding Department and at 35% of the direct labor cost in the Decorating Department. It is estimated that 1,000 direct labor hours at a cost of $9,000 will be required in molding. The company wishes a markup of 45% of its total production cost.

Required: Determine the following:
1. Estimated cost to produce
2. Estimated prime cost
3. Estimated conversion cost
4. Bid price

Q-3. Hansford Inc. submits the following data for September:

Direct labor cost, $ 30,000
Cost of goods sold, $ 111, 000, before adjusting for over-or-under applied overhead.
Factory overhead is applied at the rate of 150% of direct labor cost. Over or under applied factory overhead is closed to the cost of goods sold account.
Inventory accounts showed theses beginning and ending balances:

	September 1	September 30
Finished goods…………………………………………	$15,000	$17,500
Work in process……………………………………..	9,600	13,000
Materials……………………………………………...	7,000	7,400

Other data:

Factory overhead (actual)……………………………………..	$48,200
Marketing expense……………………………………………….	14,100
General and administrative expenses…………………………….	22,900
Sales for the month……………………………………………….	182,000

Required:
Prepare an income statement with a schedule showing the cost of goods manufactured and sold.

Q-4. Escott Corporation is a manufacturer that uses average costing to account for costs of production. Escott manufactures product that is produced in three separate departments: Molding, Assembling and Finishing. The following information was obtained by the Assembling Department for June.

Work in process, June 1-2,000 units. Composed of:

	Amount	**Degree of Completion**
Transferred in from the Molding Department…………	$32,000	100%
Cost added by the Assembling Department…………...		
Direct materials……………………………….	20,000	100
Direct labor……………………………………	7,200	60
Factory overhead……………………………...	5,500	50

The following activity occurred during June:

a) 10,000 units were transferred in from the Molding Department at a cost of $160,000
b) $150,000 of costs were added by the Assembling Department direct materials $96,000, direct labor, $36,000: and factory overhead, $18,000.
c) 8,000 units were completed and transferred to the Finishing Department.

At June 30, 4,000 units were still in work in process with the following degrees of completion direct material 90%; direct labor 70% and factory overhead 35%.

Required:
Prepare the June cost of production report for the Assembling Department.

Q-5. Fannin Company had a production run of 8,000 pairs of slacks during the last week of June, at the following costs per pair:

Materials………………………………………………….	$5
Labor……………………………………………………...	4
Factory overhead (includes $ 0.70 allowance For spoiled work)………………………..	3

Final inspection revealed 600 pairs as not meeting quality standards, salable as seconds $ 4 a pair.

***Required**:* Prepare the journal entries to record all related costs if:

1) The loss is to be charged to the production run.
2) The loss is to be charged to the production of the fiscal period.

BEST OF LUCK

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSTIY OF KARACHI
FINAL EXAMINATION, JUNE2 009: AFFLIATED COLLEGES
COST ACCOUNTING: BA (M) – 611
MBA – III

Total Marks: 60
Date: 22-06-2009

Note: Attempt any four questions. Q.2 and 5 are compulsory.

Q.1. Information obtained from G Inc.'s accounts on Dec. 31 included:

	2007	2006
Raw material inventory	Rs.11,000	Rs.9,000
Work in process inventory	19,000	13,000
Finished goods inventory	33,000	42,000

Sales	Rs.210,000
Depreciation factory	12,000
Direct labor costs	38,000
Purchase of raw materials	44,000
Advertising expense	10,000

a) The cost of raw materials used in production for G Inc. in 2007?
b) The cost of goods manufactured for G Inc. in 2007?
c) The cost of goods sold for G Inc. in 2007?

Q.2. Determine each of the missing amounts. Using three inventory accounts.

Beginning raw materials inventory	Rs.	17,000
Purchases of raw materials during the year		?
Raw materials available for use		?
Ending raw materials available for use		12,000
Cost of raw materials used		90,000
Direct labor cost incurred		130,000
Variable manufacturing overhead applied		?
Fixed manufacturing overhead applied		100,000
Total Manufacturing costs incurred		370,000
Beginning work in process		25,000
Cost of goods manufactured	Rs.	?
Sales		?
Beginning finished goods inventory		30,000
Cost of goods available for sale		?
Ending finished goods inventory		50,000
Cost of goods sold		?
Gross profit		140,000
Selling, General, and administrative expenses		68,000
Income from operations	Rs.	?

Q.3. Job No. 405 called for the making of 3,500 meters of ceramic plates with these unit costs.

Direct material	Rs. 10
Direct labor	20
Factory overhead	125% of DL

When the orders were completed, 175 rejected unit a normal number were sold for Rs.35 each and remaining standard units at Rs. 70. A separate work in process account is used for each cost element.

REQUIRED: 1) Prepare all necessary journal entries and show all computations.
2) Calculate per unit cost (in case loss charge to all production.

Q.4. From the following data, collected from the records of a manufacturing unit of a company, Calculate **total daily earning (Regular wages and Bonus)** of a group of 20 workers. Regular wages and bonuses are given on an hourly basis.

No of workers in the group	20
Standard production per hour	100 units
Wage rate per hour	Rs. 10 per hour

- In case the production exceeds by 10%, bonus is paid according to the 50% bonus plan. Following is the production report for the week:

Days	**Hours worked**	**Production**
Monday	160	18,400
Tuesday	181	20,346
Wednesday	155	19,985
Thursday	173	29,825
Friday	178	32,400

Q.5. The AB & Co produces a chemical which requires processing in three departments. The following data to the operation of department III for September, 2004.

Units in process at start 50% completed as to mat. & C.C	5,000
Units received from department II	40,000
Unit transfer to finished store room	35,000
Unit lost	1,000
Balance of units are in process:	
100% completed as to material & 50% as to C.C	
Cost of beginning inventory	Rs.25,000
Cost transferred from Department II	Rs.30,000
Cost added:	
Material	Rs.8,800
Labor	Rs.9,000
F.O.H	RS.7,200

Required: Prepared cost of production report of Department III by FIFO costing.

OR

T Corporation produces liquid detergent in two processes organized in sequential way as the A Department and B Department. Direct material is added initially in A Department all other costs in both departments are incurred evenly throughout the processes.

The following are cost data for July:

	A. Deptt.	B. Deptt.
Beginning work in process (mat. Rs. 400, D/L Rs. 300 F.O.H. Rs. 476)	Rs. 1,176	−0−
Operating Costs:		
Direct Material	4,800	_
Direct Labor	7,000	6,500
Factory overhead	2,800	3,900
Beginning work in process: 400 units, 50% processed	15,776	10,400

Units started in A Department: 4,000 units; units in
Ending work in process= 1,000 units.
30% processed, in the A Department and 200 units 25% processed, in the B Department.
Cost received from A Department (Rs. 13,736)

Required: Cost of production report for A Department by FIFO method.

Q.6. The Shahid Company's under applied factory overhead is Rs. 3,000. Budgeted overhead for 3,000 hours per month is Rs. 16,000 and at 7,000 hours is Rs. 24,000. Actual factory overhead for the month is Rs. 18,000 and actual volume is 5,000 hours.

REQUIRED:
1. Variable overhead in overhead rate
2. Budgeted fixed overhead
3. Applied FOH
4. FOH rate
5. Spending Variance
6. Idle Capacity Variance

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSTIY OF KARACHI
FINAL EXAMINATION, JANUARY 2009: AFFLIATED COLLEGES
COST ACCOUNTING: BA (M) – 611
MBA – III

Date: 14-01-2009 Max Marks: 60
Time allowed: 3 Hours

Instructions: Attempt all questions.

Q1. Uni Inc. institute a new process in October, during which it started 10,000 units in Department A. of the units started, 1000 units, a normal number, were lost during the process; 7,000 were transferred to Department B; and 2,000 remained in work in process inventory at the end of the month, 100% complete as to materials and 50% complete as to conversion cost. Materials and conversion costs of $ 27,000 and $ 40,000, respectively, were charged to the department in October.

Required: Compute the total cost transferred to Department B.

Q2. 100 percent bonus plan. West-Chester Inc. produces printed circuits for the electronics industry. The firm has recently initiated a 100 percent bonus plan with standard production set at 50 units per hour.

The company employs 10 workers on an 8-hour shift at $8 pr hour. Depreciation on plant equipment is $9.00 per hour, and other overhead is applied at $ 7.00 per hour.

Production for the first week under the 100 percent bonus plan was:

	Units
Monday	3,800
Tuesday	4,500
Wednesday	4,600
Thursday	4,500
Friday	4,400

Management is interested in appraising the results of the new incentive wage plan.

Required: A scheduled showing employee earnings, units labor cost. Unit overhead cost and conversion cost per unit.

Q3. Fine Corporation uses the average process costing method. All spoilage that occurred in Department 2 during August was normal and applicable to all production.

August cost data for Department 2 were as follows:

	Beginning Inventory	August Cost Incurred
Cost transferred from Department 1	$ 12,000	$ 89,200
Conversion cost	6,000	60,000

The Department 2 beginning inventory (2/3 converted) was 1,200 and 8,000 units were transferred from Department 1. The ending inventory was 1,000 units (½converted) and 7,800 units were transferred to Department 3.

Required: Prepare the August cost of production report for Department 2.

Q4. Ceramic Company is to submit a bid on the production of 11,250 ceramic plates. It is estimated that the cost of materials will be $ 13,000, and cost of direct labor will be $15,000. Factory overhead is applied at $ 2.70 per direct labor hour in the Molding Department and at 35% of the direct labor cost in the Decorating Department. It is estimated that 1,000 direct labor hours at a cost of $ 9,000 will be required in the Molding. The company wishes a markup of 45% of its total production cost.

Required:

Determine the following:

1. Estimated cost to produce.
2. Estimated prime cost.
3. Estimated conversion cost.
4. Bid price.

Q5 (a) Quality Company had a production run of 8,000 pairs of slacks during the last week of June, at the following costs per pair:

Materials	$5
Labor	4
Factory overhead (includes $ 0.70 allowance for spoiled)	3

Final inspection revealed 600 pairs as not meeting quality standards, salable as seconds at $ 4 a pair.

Required:

Prepare the journal entries to record all related costs if:

a. The loss is to be charged to the production run.
b. The loss is to be charged to all production of the fiscal period.

Q5 (b) Normal annual capacity for Forman Company is 60,000 units, with production being constant throughout the year. The October budget shows fixed factory overhead of $ 2,500 and a variable factory overhead rate of $ 2.50 per unit. During October, actual output was 4,800 units with a total factory overhead of $ 15,500.

Required: Compute the spending and idle capacity variance and comment whether favorable or unfavorable.

KARACHI UNIVERSITY BUSINESS SCHOOL
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AFFLIATED COLLEGES/INSTITUTES EXAMINATION
COST ACCOUNTING: BA (M) – 611

MAB-III | DATE: 24-06-2008
Max Marks: 60 | Max Time: 3 Hours

Attempt any FOUR questions. Q.1. is compulsory.

Q.1. The following information is available from the accounting records of AB manufacturing Co. at the end of the current year.

Work in Process Inventory (Beginning Rs. 80,000) (ending)	Rs. 75,000
Materials Inventory (ending)	40,000
Materials Inventories (Opening)	50,000
Finished goods inventory (Jan.1) 5,000 units @ Rs. 84	420,000
Purchase of Direct Materials during the year	570,000
Direct Labor Cost	480,000
Manufacturing overhead	915,000
Finished Goods (ending)	?

During the year 22, 5000 units were produced and 20,000 units were sold.

Required:

1) Prepare a statement of cost of goods manufactured showing the cost of direct material used.
2) Compute the average per unit cost.
3) Compute the cost of goods sold, assuming that the FIFO method of inventory costing is used.
4) Compute the cost of inventory of finished goods at December 31 of the current years assuming that the FIFO method of inventory costing is used.

Q.2 The following ledger accounts of Rasheed Limited summarize the flow of cost during the current year.

Material Inventory	Rs.
Balance (Beg)	32,000
?	69,000
Balance (ending)	26,000
Material used	?

Work in Process Inventory	Rs.
Balance (Beg)	42,000
?	?
?	420,000
?	798,000
Balance (ending)	54,000
F.G	?

Accrued Payroll	
Rs.	Rs.
? 412,000	? 420,000
Ending 8,000	

Finished Goods	Rs.
Balance (Beg)	212,000
Balance (ending)	236,000
C. of G. manfd.	?

F.O.H	
Rs.	Rs.
798,000	798,000

Cost of Goods sold	
?	?

Required:

1) Compute:

a) Direct Material Purchased

b) Direct Material used
c) Direct Labor cost
d) Waged paid
e) Cost of goods manufactured
f) The overhead rate applied as a percentage of direct labor costs
g) Cost of total inventory at end
h) Cost of Goods sold.

2) Pass the necessary entries.

Q.3. a) Before the completed production for "April is recorded, the work in process account for Ahmed Brothers appears as follows:

Work in Process

Balance April	24,000	
Direct Material	72,000	
Direct Labor	60,000	
Factory overhead	44,000	

Assume that completed production for April includes jobs 17, 18 and 19 with total costs of Rs.40, 000, Rs. 80,000, Rs.48, 000 respectively.

Required:
1) Determine the cost of unfinished jobs at April 30, and prepare a journal entry recording completed production.
2) Make journal entry for sale of Job 17 for Rs. 64,000 on account.

b) A company has the following account in its cost records.

Work in Process

Direct Material	84,000	Finished Goods	164,000
Direct Labor	56,000		
Factory overhead	42,000		

The company applies overhead to production at a predetermine rate based on direct labor costs. Assume that the company uses a job order costing system and that job. 11, the only job in process at the end of the period, has been charged with direct material of Rs. 4,000.

Required: Complete the following cost sheet for the job 11.

Cost sheet	Job. 11 (in process at end)
Direct Material	___
Direct Labor	___
Factory overhead	___
Total cost	___

Q.4. T Corporation produces liquid detergent in two processes organized in sequential way as the A Department and B Department. Direct material is added initially in A Department all other costs in both departments are incurred evenly throughout the processes.

The following are cost data for July:

	M. Deptt.	B. Deptt.
Beginning work in process (mat. Rs. 400, D/L Rs. 300 F.O.H. Rs. 476)	Rs. 1,176	−0−
Operating Costs:		
Direct Material	4,800	_
Direct Labor	7,000	6,500
Factory overhead	2,800	3,900
Beginning work in process: 400 units, 50% processed	15,776	10,400

Units started in A Department: 4,000 units; units in
Ending work in process= 1,000 units.
30% processed, in the A Department and 200 units 25% processed, in the B Department.
Cost received from A Department (Rs. 13,736)

Required: Cost of production report for M Department.

Q.5. Using the same data in Q.4. Prepare cost of production report for B department, showing quantitative schedule, equivalent production, cost per equivalent unit and cost flow.

Q.6. a) K Co. was totally destroyed by fire during June. However, certain fragments of its cost records with the following data were recovered: idle capacity variance Rs. 1,266 favorable; spending variance Rs. 879 unfavorable; and applied factory overhead Rs.16, 234.

Required: Determine (1) The budget allowance, based on capacity utilized, and (2) the actual factory overhead.

b) A Co. uses 100% Bonus plan with a wage rate of Rs.20 per hour and the standard production is 40 units per hour. Bonus will be given for the time saved. Following is the data of Mr. X:

Monday	360
Tuesday	400
Wednesday	350

Required: Determine Mr. X's total earning, time saved, daily earnings and the labor cost per unit.

X

KARACHI UNIVERSITY BUSINESS SCHOOL
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AFFLIATED COLLEGES/INSTITUTES EXAMINATION
COST ACCOUNTING: BA (M) – 611

MAB-III **DATE: 26-12-2006**
Max Marks: 60 **Max Time: 3 Hours**

Instruction: Attempt FIVE questions. Question # 1 is compulsory.

Q#1- Cost of Production report: FIFO vs. AVERAGE costing.

Given: Deterra Inc. uses three departments to produce a detergent. The Finishing Department is the third and last step before the product is transferred to storage.
All materials needed to give the detergent its final composition are added at the beginning of the process in the Finishing Department. Any lost units occur only at this point and are considered to be normal. The company uses FIFO costing. The following data for the Finishing Department for October have been made available.

Production data:	
In process, October 1 (labor and factory overhead, ¾ complete)	10,000 gals
Transferred in from preceding department	40,000
Finished and transferred to storage	35,000
In process, October 31 (labor and factory overhead, ½ complete)	10,000
Additional data:	
Work in process inventory, Oct. 1	
Cost from preceding department	$ 38,000
Cost from this department:	
Materials	21,500
Labor	39,000
Factory overhead	42,000
Total Work in process inventory, Oct.1	140,000
Transferred in during Oct.	
Cost added in this department:	
Material	$ 70,000
Labor	162,500
Factory overhead	130,000
Total Cost added	$ 362,500
Total Cost to be accounted for	$ 643,000

Required:

1. Prepare a cost of production report for the Finishing Department for October, using FIFO costing.
2. Prepare a cost of production report for the Finishing Department for October, using average costing. (Carry unit cost computations to three decimal places, and round up the digit "5" in the fourth decimal place).

Q#2- Cost of Production report; addition of materials.

Given: M/s Crescent Corporation produces hand-cream, which requires processing in the three departments. Materials are added at the beginning of the process in Department 2.
The following data pertain to the operations of Department 2 for February:

Units received from Department 1	20,000
Units added in Department 2	10,000
Units transferred to Department 3	24,000
Units in ending inventory (50% complete as to conversion cost)	6,000
Cost transferred in from Department 1	$60,000
Materials cost added in Department 2	$30,000
Conversion Cost added in Department 2	$54,000

Required: Prepare a cost of Production report for Department 2: for February.

Q#3- Materials: Controlling and Costing

Given: A- Accounting for spoiled work.

Alba Company had a production run of 4,000 pairs of jeans during the last week of June with the following unit costs:

Direct Materials	$	5.00
Direct Labor		4.00
Factory overhead (includes a $ 0.50 allowance for spoiled work)		3.50
	$	12.50

The inspection revealed that 300 pairs, normal number, did not meet quality standards, but can be sold as seconds at a price of $ 7 a pair.

Required: Prepare journal entries for all of the described transactions if:

1. The loss is charged to all production.
2. The loss is due to exacting specifications and is charged to the production run.

Given: B- Journal entries to correct defective work:

Florida Fabricators manufacture golf carts and other recreational equipment. One order from Wisconsin Wholesale Company for 1,000 carts showed the following costs per unit: direct materials, $40; direct labor, $20; and factory overhead applied at 140% of direct labor cost if defective work is charged to a specific job and 150% if it is not.

Final inspection revealed that wheels were assembled with improper bearings. The wheels were disassembled and the proper bearings inserted. The cost of correcting each defective cart consists of $ 2 added cost for bearings, $4 for labor, and factory overhead at the predetermined rate.

Required: Prepare journal entries to record correction of the defective units and transfer of the work in process to finished goods if:

1. The company order is to be charged with the cost of defective units.
2. The cost of correcting the defective work is not charged to the Wisconsin Wholesale company order.

Q#4- Factory overhead: Planned, Actual and Applied; variance Analysis:

Given: A- Factory overhead-applied, over or under applied and Journal Entries:

Lancaster Co. assembles and sells electric mixes. All parts are purchased, and the cost of the parts per mixer totals $40. Labor is paid on the basis of $32 per mixer assembled. Since the company handles only this on e product, the unit cost base for applying factory overhead is used. Estimated factory overheads for the coming period, based on a production of 30,000 mixers, are as follows:

Indirect materials	$ 220,000
Indirect labor	240,000
Light and power	30,000
Depreciation	25,000
Miscellaneous	55,000

During the period 29,000 mixers were assembled and actual factory overhead was $559,600. These units were completed but not yet transferred to the finished goods storeroom.

Required:

1. Prepare the journal entries to record the above information.
2. Determine the amount of over-or under applied factory overhead.

Given: B- Factory overhead variance analysis:

Normal annual capacity for Remington Company is 60,000 units, with production being constant throughout the year. The October budget shows fixed factory overhead of $ 2,500 and a variable factory overhead rate of $ 2.50 per unit. During October, actual output was 4,800 units, with a total factory overhead of $ 15,500.

Required: Compute the spending and idle capacity variance.

Q#5- Accounting for Manufacturing Concern:

The following data appeared in the books of Rex Manufacturing Company as on October 2005:

Sales	405,000
Raw Material Inventory, Oct. 1	15,000
Raw Material Return to supplier	8,000
Work in Process, Oct.1	30,000
Raw Material Purchased	350,000
Direct Labor	200,000
Cost of Goods Manufactured	555,000
Gross Profit	20,000
Raw Material Consumed	300,000
Factory overhead 125% of direct labor	
Transportation in	1,500
Finished Goods Inventory, Oct. 1	25,000

Required: Determine the Ending Inventory of

(i) Raw Material (ii) Work in Process (iii) Finished Goods

Q#6- Define the following:

1. Idle Capacity Variance and Spending Variance
2. Scrape, Spoiled and Defective Work
3. Economic Order Quantity
4. Advantages of average costing method for material
5. Benefits of cost accounting to a not-for-profit organization.

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSTIY OF KARACHI

MBA-III THIRD SEMESTER EXMAINATION 2006

COURSE NO.611 DATE: 21-06-2006
COURSE TITLE: COST ACCOUNTING TIME ALLOWED: 3 HRS

Note: Attempt any four questions Q.No.1 is compulsory.

Q.1. a) Differentiate between Cost Accounting and Financial Accounting. What are its objectives?

b) The blaze completely destroyed the plant and its contents. Fortunately, certain accounting records were kept in another building. They reveal the following for the period from January 1, 2001 to February 26, 2001:

Direct materials purchased	Rs. 160,000
Work in process 1/1/2001	34,000
Direct materials, 1/1/2001	16,000
Finished goods, 1/1/2001	30,000
Indirect manufacturing costs	40% of conversion costs
Revenues	500,000
Direct manufacturing labor	180,000
Gross margin percentage based on revenues	20%
Prime costs	294,000
Cost of goods available	450,000

The loss is fully covered by insurance. The insurance company wants to know the historical cost of the inventories as a basis for negotiating a settlement, although the settlement is actually to be based on replacement cost, no historical cost.

Required: Using T – accounts

Calculate the cost of: 1) Finished goods inventory, 26-2-2001
2) Work-in process inventory, 26-2-2001
3) Direct materials inventory, 26-2-2001

Q-2 There are two direct-cost categories (direct materials and direct labor) and one indirect-cost pool (manufacturing overhead, allocated on the basis of direct labor costs).

The following data (in thousands) pertain to 2003:

W.I.P opening	?
Direct materials and supplies purchased on account	Rs. 1,600
Direct materials used	1,420
Indirect materials issued to various production departments	200
Direct labor	2,600
Indirect manufacturing labor incurred by various department	1,800
Depreciation on building and manufacturing equipment	800
Miscellaneous manufacturing equipment	1,100

Manufacturing overhead allocated at 160% of direct labor costs	?
Cost of goods manufactured	8,240
Revenues	16,000
Cost of goods sold	8,040
Inventories: (Dec. 31, 2003)	
Material	200
Work-in-Process Control	120
Finished Goods Control	1,000

Required:

1. Prepare journal entries to summarize 2003 transactions. As your final entry, dispose off the year ended under-or over allocated manufacturing overhead as a write-off to cost of goods sold.
2. Show posted T-accounts for all inventories. Cost of Goods Sold, Manufacturing Overhead Control and Manufacturing Overhead Allocated.

Q.3. a) Differentiate between Job order Costing and Process Costing.

b) Partially completed T-accounts and additional information for A.B.Co. for for the year 2000 are as follows:

Direct Materials Control

1-1-2000 30,000	380,000
400,000	End

Work-in-Process Control

1-1-2000 20,000	F.G. ?
Dit. Mat ?	End.?
D. labor 360,000	
F.O.H ?	

Finished Goods Control

1-1-2000 10,000	900,000
940,000	End. ?

Manufacturing Overhead Control

Rs. 540,000	

Manufacturing Overhead Allocated

	?

Cost of Goods Sold

F.G. ?	

Additional Information:

1. Direct manufacturing labor wage rate was Rs. 15 per hour.
2. Manufacturing overhead was allocated at Rs.20 per direct labor hour.
3. During the year, sales revenues were Rs. 1,090,000 and marketing and distribution costs were Rs. 140,000.

Required:

1) What was the amount of direct materials issued to manufacturing during 2000?
2) What was the amount of manufacturing overhead allocated to jobs during 2000?
3) What was the cost of jobs completed during 2000?
4) What was the balance of work-in-process inventory on Dec. 31, 2000?
5) What was the cost of goods sold before proportion of under-or- over allocated overhead?
6) What was the under-or over allocated manufacturing overhead in 2000?

Q.4. The following data pertain to the Assembly Department for June 2001:

Work in process, beginning inventory 50,000 units <u>Cost Data:</u>

Direct materials (0% complete)		Beg. Cost: P.D.	Rs. 60,000
Conversion costs (80% complete)		C.C.	
Transferred in during current period	200,000 units	Cost added:	
Completed and transferred out.	210,000 units	P.D.	Rs.120,000
Work in process, ending inventory	? units	Material	315,000
Direct materials (0% complete)		C.C.	370,000
Conversion costs (40% complete)			

Required: Cost of Production report under FIFO method.

Q.5. a) Nadeem Inc. manufactures surgical instruments to the exacting specifications of various customers. During April 2001, job 911 for the production of 4,500 instruments was completed at the following costs per unit:

Direct Materials: Rs. 60, Direct Labor: Rs.20, F.O.H: Rs.80

Final inspection of job 911 disclosed 100 defective units and 50 spoiled units. The defective instruments were reworked at a total cost of Rs. 12,000, and the spoiled instruments were sold to jobber for Rs. 3,000.

Required: 1) What is the initial cost incurred on job 911?
2) What is the total cost of reworking defecting units?
3) What would be the unit cost of the good units produced on job 911?

b)

Case	**1,** Rs.	**2,** Rs.	**3,** Rs.
Actual F.O.H	36,000	54,000	32,000
Applied	40,000	?	32,000
Budgeted allowance	?	?	?
S.V.	6,000 Unfav.	12,000 fav.	0
I.C.V.	?	14,000 fav.	?

Required: Compute the missing figures.

Q.6. a) Standards production for an employee in the Assembly Department is 40 units per hour in an 8-hour day. The hourly wage rate is Rs. 16.

	Units
Monday	320
Tuesday	340
Wednesday	350

Required: If an incentive plan is used, with the worker receiving 60% of the time saved each day. Compute the employee’s earnings and labor cost per unit.

b) The B. Co. estimates that 36,000 ring binders will be needed next year to serve clients. Therefore, binders have been ordered as headed a procedure which has not proved satisfactory. The cost of binders ordered in 100-unit lots or more is Rs. 1.25 each. The Cost Department estimates a cost of Rs. 5.60 to place and process an order. Further calculations indicate that it costs about 12% of average inventory cost to carry the inventory. The Purchase Department believes that the practical limits for ordering binders would be a maximum fo 45 and a minimum of 10 orders a year.

Required: Most economical order quantity and No. of orders a year.