

College Name: _____

Student Name: _____ Seat No: _____

Copy No: _____

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION DECEMBER 2016; AFFILIATED COLLEGES
COST ACCOUNTING: BA (M) – 611
MBA – III

Date: January 3, 2017

Max Time: 2 Hrs

Max Marks: 40

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 Wyoming Company's purchases of materials during June totaled \$25,000, and the cost of goods sold for June was \$130,000. Factory overhead was 200% of direct labor cost. Other information pertaining to Wyoming Company's inventories and production for June is as follows:

<u>Inventories</u>	<u>Beginning</u>	<u>Ending</u>
Finished goods	\$42,500	\$39,000
Work in process	15,500	17,000
Materials	5,000	8,500

Required:

- (1) Prepare a schedule of cost of goods manufactured.
- (2) Compute the prime cost charged to Work in Process.
- (3) Compute the conversion cost charged to Work in Process.

Q2 Carlson Chemical Company produces a chemical in three departments, Mixing, Blending, and Bottling. Mixing, where the compounds are added, is the first department. The powder is then transferred to the second department where water is added to produce a liquid. After water has been added, the chemical is bottled for storage and transported to customers. A process cost system with an average cost flow assumption is used to account for work in process inventories. Data related to operations in the Blending Department during the month of October follow:

Units in beginning inventory	2,000
Units received from the Mixing Department this period	4,000
Units added to process in the Blending Department this period	12,000
Units transferred to Bottling Department this period	14,000
Units in ending inventory (100% materials, 40% labor and overhead)	4,000

	<u>Beginning</u> <u>Inventory</u>	<u>Added</u> <u>This Period</u>
Costs charged to the department:		
Costs from the preceding department	\$2,300	\$11,200
Materials	720	2,520
Direct labor	1,150	2,750
Factory overhead	2,100	5,700

Required: Prepare a cost of production report for the Blending Department.

- Q3** Micro Corp. uses 1,000 units of Chip annually in its production. Order costs consist of \$10 for placing a long-distance call to make the order and \$40 for delivering the order by truck to the company warehouse. Each Chip costs \$100, and the carrying costs are estimated at 15.625% of the inventory cost.

Required:

- (1) Compute the economic order quantity for Chip and the total order costs and carrying costs for the year.
- (2) Determine the best order quantity if Chip is purchased only in multiples of 25 units. (Round answers to the nearest whole dollar.)

- Q4** Teddy Company is to submit a bid on the production of 5,500 vases. It is estimated that the cost of materials will be \$8,500, and the cost of direct labor will be \$12,000. Factory overhead is applied at 50% of direct labor cost in the Molding Department and at \$7.50 per direct labor hour in the Finishing Department. Of the above direct labor, it is estimated that 500 direct labor hours at a cost of \$4,000 will be required in Finishing. The company wishes a markup of 100% 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** Data for the past two years for J&J Corp. are:

	2015	2016
Units produced	10,000	11,000
Overhead applied per unit	\$15	\$18
Actual overhead:		
Fixed	50,000	55,000
Variable	95,000	150,000
Estimated overhead:		
Fixed	50,000	56,000
Variable	130,000	142,000

The company determines overhead rates based on estimated units to be produced.

Required:

- (1) Determine the estimated units of production used to obtain the overhead allocation rates in 19A and 19B.
- (2) Determine the over- or underapplied factory overhead for each of the two years.

END OF SUBJECTIVE PAPER