

College Name: \_\_\_\_\_

Seat No: \_\_\_\_\_ Student's Name: \_\_\_\_\_

Copy No: \_\_\_\_\_

**KARACHI UNIVERSITY BUSINESS SCHOOL**  
**UNIVERSITY OF KARACHI**  
**FINAL EXAMINATION DECEMBER 2017; AFFILIATED COLLEGES**  
**COST ACCOUNTING; BA (H)-511**  
**BBA – V**

Revised Date: January 17, 2018

Max Time: 100 Mins

Max Marks: 40

**INSTRUCTIONS:**

1. Attempt any 4 questions. Do not write anything on the question paper. **EXCEPT** the initials mentioned above.
2. Mobile phones 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** During August, Radio Company's purchases of direct materials totaled \$139,000; direct labor for the month was 3,400 hours at \$8.75 per hour. Radio also incurred the following overhead costs: utilities, \$5,870; supervision, \$16,600; indirect materials, \$6,750; depreciation, \$6,200; insurance, \$1,830; and miscellaneous, \$1,100. Beginning inventory accounts were as follows: Materials Inventory, \$48,600; Work in Process Inventory, \$54,250; and Finished Goods Inventory, \$38,500. Ending inventory accounts were as follows: Materials Inventory, \$50,100; Work in Process Inventory, \$48,400; and Finished Goods Inventory, \$37,450.

**Required:** Prepare a statement of cost of goods manufactured.

**Q2** The following Job Order cost detail pertains to the three jobs that were in process at Dandy Machine Company during January:

	<b>Job 06</b>	<b>Job 07</b>	<b>Job 08</b>
Cost Charged in prior period	\$36,000	\$ 18,000	-----
Costs added in January:			
Direct Materials	44,000	34,000	32,000
Direct Labor	40,000	48,000	42,000
Factory Overhead (60% of direct labor)	24,000	28,800	25,200

**Required:** Prepare the appropriate journal entries in General Journal to record each of the following transactions:

1. Direct materials were issued from the materials storeroom to work in process.
2. The payroll was distributed to work in process.
3. Factory overhead was applied to production for the period.
4. Jobs 06 and 07 were completed and transferred to the finished goods storeroom.

**Q3** Lenz Company uses process costing. The costs for Department 2 for April were:

Cost from Department 1	\$ 99,000
Labor cost in Department 2	\$ 27,520
Applied FOH	\$ 15,480

All materials were put into process in Department 1. The following information for department 2 was obtained from Company's quantity schedule:

Transferred in 55,000 units, transferred out 39,500 units, WIP ending (1/3 Conversion cost) 10,500 units.

**Required:** Prepare a cost of production report for Department 2.

- Q4** Estimated cost and operating data for the forthcoming period for three companies are given below:

	<b>Company A</b>	<b>Company B</b>	<b>Company C</b>
Direct labor hours	12,000	15,000	20,000
Manufacturing overhead	\$90,000	\$120,000	\$150,000
Machine hours	20,000	20,000	25,000
Direct labor cost	\$60,000	\$ 75,000	\$100,000
Predetermined overhead rates are based on	Direct Labor hours	Direct Labor cost	Machine hours

**Required:**

1. Compute the predetermined overhead rate to be used in the forthcoming period for each company.
2. Assume for Company B that \$80,000 of direct labor cost actually is incurred. How much overhead will be applied to work in process?
3. Assume for Company C that 30,000 machine hours are actually worked during the forthcoming period. How much overhead will be applied to work in process? If actual overhead costs total \$175,000 will overhead be over-or under-applied? By how much?

- Q5** The Hi-Tech Company has a normal monthly capacity of 10,000 labor hours with a standard production of 8,000 units at this capacity. Standard costs are: Materials 2kg @ \$ 0.50, Labor \$ 9 per hour. FOH at normal capacity: Fixed expense \$5000, Variable expense \$1.50 per labor hour. During May, actual FOH totaled \$ 17,550 and 9000 labor hours cost \$ 76,500. During the month, 7000 units were produced using 14,400 kg of materials at a cost of \$ 0.51 per kg.

**Required:** Calculate Materials price variance, materials quantity variance, Labor rate variance, labor efficiency variance and FOH variances (i.e. spending variance, idle capacity variance and efficiency variance).

**END OF SUBJECTIVE PAPER**