College Name: _____

Seat No: _____   Student's Name: _____

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KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION DECEMBER 2017; AFFILIATED COLLEGES
COST & MANAGERIAL ACCOUNTING; BA(BS)-522
BBA – VI

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Date: January 16, 2018   **Max Time: 2 Hrs**
                                                                        Max Marks: 40

INSTRUCTIONS:
   1. **Attempt any 4 questions. Do not write anything on the question paper. <u>EXCEPT</u> 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   Pain away company manufactures liquid aspirin and accounts for production using average process costing. In department 2, five gallons of liquid, weighing 8 pounds per gallon, are added to each pound of powder transferred from Department 1. Each department 2 unit weighs one pound. The following information is available for August.

	Units	**Amount**
Beginning inventory (all materials; 1/3 labor and factory overhead)	30,000	
Cost from preceding department		$ 57,000
Materials		29,100
Labor		5,300
FOH		41,000
Ending inventory (all materials; ½ labor and factory overhead)	20,000	

Cost added during August:

Cost from preceding department	10,000 lbs. of powder	$ 823,000
Materials	400,000	410,900
Labor		209,700
FOH		1,679,000

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

Q2   The Laverock Company's joint cost of producing 1000 units of product A, 500 units of product B and 500 units of product C is $ 100,000. The unit sales values of the three products at the split-off point are:
A : $20, B : $200, C : $ $160. Ending inventories include 100 units of A, 300 units of B, and 200 units of C.

Required:
   1. The amount of joint cost that would be included in the ending inventory of the three products
   (a) using the market value method.
   (b) using the average unit cost method.

Q3   The following data are available for Mandmeyer Company for the year ended December 30,2017.
   Sales $ 56,000

Finished goods inventory:	Ending	$ 5,100;	Beginning	$ 3,500
Work in process inventory:	Ending	$7,500;	Beginning	$4,000
Materials inventory:	Ending	$4,250;	Beginning	$4,000
Materials purchased	$18,000			
Direct labor	$7,500			
FOH charged to production	$5000			

   Marketing expenses 5% of sales
   Administrative expenses 2% of sales
   Other expense 1% of sales
   Required:
   1. Prepare cost of goods sold statement.
   2. Prepare an income statement

Q4   P&G Company produces large size bags for the use of tourists. Company uses standard costing system to control costs. The standards for materials and labor costs to manufacture 1 bag are as follows:

- Direct materials: 7.2 lbs. @ $5 per lb.
- Direct labor: 0.4 hours @ $20 per hour

During the last month, P&G produced 2,500 large bags. 20,000 lbs. of direct materials were purchased @ $4.8 per lb. There was no direct materials inventory at the beginning and at the end of the month. 900 direct labor hours were recorded @ $24 per hour.

Required:

1. Compute direct materials price and quantity variance.
2. Compute direct labor rate and efficiency variance.

Q.5)   The accountant of the company is asked to compute FOH rates based on (a) normal capacity (b) expected actual capacity (c) theoretical capacity and (d) average sales for the previous three years. The accountant prepared the following summary:

	Expected Actual	**Average Sales**	**Normal Capacity**	**Theoretical Capacity**
Capacity levels	80%	85%	90%	100%
Direct labor hours	27200	28900	30600	34000
Factory overhead				
Fixed	$ 102000	$ 102000	$ 102000	$ 102000
Variable	$ 136000	$ 144500	$ 153000	$ 170000
Total	**$ 238000**	**$ 246500**	**$ 255000**	**$ 272000**

Compute:

a) FOH rate per direct labor hour for each of the four capacity levels.

b) The amount of over or under applied FOH for the other three levels if actual hours worked and actual FOH incurred were identical with the estimated hours and the estimated overhead of the expected actual capacity

END OF SUBJECTIVE PAPER