

**ALLAMA IQBAL OPEN UNIVERSITY ISLAMABAD  
(Department of Business Administration)**

**COST ACCOUNTING (186)**

**CHECKLIST**

**SEMESTER: SPRING 2014**

This packet comprises the following material:

1. Text Book (one)
2. Course Outline
3. Assignment No. 1, 2
4. Assignment Forms ( 2 sets )

In this packet, if you find anything missing out of the above mentioned material, please contact at the address given below:

Director  
Admission and Mailing  
Allama Iqbal Open University  
H-8, Islamabad

Mahmood-ul-Hasan  
Course Coordinator

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD**  
**(Department of Business Administration)**

**WARNING**

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
2. **SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

**ASSIGNMENT No. 1**

**Course: Cost Accounting (186)**  
**Level: BBA**

**Semester: Spring 2014**  
**Total Marks: 100**

- Q. 1 (a) How cost accounting can be used in service organizations?  
 (b) What are the uses and objectives of job order costing? (20)
- Q. 2 From the following information extracted from the record of M/s Nasir Corporation for the year ending December 31, 1990 calculate: (20)
1. Prime Cost
  2. Conversion Cost at Normal
  3. Cost of Goods Sold at Normal & at Actual
  4. Gross Profit Rate on Sale
  5. Gross Profit Rate on Cost

**Information Given:**

<b>Direct Material "A"</b>	<b>Rs.</b>
Inventory on 1-1-1990.....	15,000
Purchases during the year.....	80,000
Inventory on 31-12-1990.....	7,000
<b>Director Material "B"</b>	
Inventory on 1-1-1990.....	3,000
Purchases during the year.....	67,000
Inventory on 31-12-1990.....	8,000
Direct labour cost .....	70,000
Factory overhead cost (applied) 90% of direct labour cost	
Factory overhead cost (Actual) .....	80,000
Increase in work in process inventory during the year.....	40,000
Decrease in finished goods inventory during the year .....	30,000
Sales .....	380,000

- Q. 3 Record the following transactions in Stores ledger, pricing the materials under (a) FIFO method (b) LIFO method (c) Weighted Average method (20)

May 1 Balance 50 units at Rs.20 per unit  
 3 Received 300 units at Rs.25 per unit  
 5 Issued 200 units  
 7 Issued 120 units  
 8 Received back 10 units (issued on 7<sup>th</sup> May)  
 10 Returned to Vendor 15 units purchased on 3<sup>rd</sup> May  
 15 Received 200 units at Rs.27  
 18 Issued 150 units  
 19 Issued 50 units

The stock verifier found a shortage of 8 units on 20<sup>th</sup> and left a note.

- Q. 4 Ahsan Corporation reported the following data for its department 2.
- |                               |             |
|-------------------------------|-------------|
| Received in from department   | 50000 units |
| Transferred out to department | 35500 units |
| In process (3/4 Lab & O/H)    | 9500 units  |

All mat were put in process in department 1. Costing department collected following figures from department 2.

Unit cost of units received in	Rs.1.80
Lab cost in department 2	Rs.27520
Applied F.O.H.	Rs.15480

**Required:** A cost of production report for department 2. (20)

- Q. 5 How Factory overhead variance is helpful in decision making? (20)

## ASSIGNMENT No. 2

**Total Marks: 100**

- Q. 1 What are the various incentive schemes available for labor? Which of them do you prefer most? (20)
- Q. 2 Following data are extracted from the estimates prepared by Royal chemical. Industries for the coming accounting year:

Lighting	Rs.18,000	Power	Rs.149,400
Payroll Taxes	10,500	Canteen expenses	70,000
Rent of Factory	60,000	Depreciation	65,000
Storeroom expenses	85,000	Internal Transport	30,000

Following further data are also available:

	Service Departments		Production Department		
	A	B	X	Y	Z
Direct materials (Rs.)	5,000	7,500	150,000	65,000	22,500
Direct wages (Rs.)	22,500	30,000	52,500	75,000	82,500
Value of assets (Rs.)	70,000	75,000	125,000	250,000	130,000
Horse power hours	440	2,000	7,000	7,000	6,000
Area in Sq. Feet	300	450	1,800	1,800	2,400
Relative wattage	200	300	600	600	700
Number of employees	15	20	35	50	55
Proportion of internal transport usage	1	1	5	2	3

Cost of service departments are prorated only to production departments. Costs of service departments A and B are apportioned in the ratio of direct wages and direct materials respectively.

**Required:** Prepare a sheet showing apportionment of costs to production department. (20)

- Q. 3 Cost of an article at a capacity level of 5,000 units is given under A below. For a variation of 20% in capacity above or below this level the individual expenses vary as indicated under B below:

	A	B
Materials cost	Rs.25,000	100% varying
Labor cost	15,000	100% varying
Power	1,250	60% varying
Repairs & maintenance	2,000	75% varying
Stores	1,000	100% varying
Inspection	500	40% varying
Depreciation	10,000	100% varying
Administrative overhead	5,000	40% varying
Selling overhead	3,000	40% varying
	Rs.62,750	
Cost per unit	Rs.12.55	

**Required:** Find unit cost of the product under each individual expense at production levels of 4,000 units and 6,000 units. (20)

- Q. 4 (a) What are the various techniques for preparing an annual budget? (20)  
 (b) What kind of budget needs to be prepared for a newly established business?
- Q. 5 Make a comparative study of budgets and standards? (20)

# **COST ACCOUNTING**

## **COURSE OUTLINE (BBA-186)**

### **Unit-1: Introduction**

- 1.1. The definition of Cost Management
- 1.2. The Organizational Chart
- 1.3. The Scope of Cost Accounting
- 1.4. Limitations of Financial Accounting
- 1.5. Distinction with Financial Accounting
- 1.6. Cost Accounting Principles and Practices

### **Unit-2: The Cost Accounting Cycle**

- 2.1. The Basics of Cost Accounting Information System
- 2.2. The Manufacturing Cost Accounting Cycle
- 2.3. Factory ledger
- 2.4. General ledger
- 2.5. Cost of goods manufactured and sold statement
- 2.6. Financial statements

### **Unit-3: Job Order Costing**

- 3.1 Nature of Job order costing
- 3.2 Flow of costs
- 3.3 Cost accumulation procedure
- 3.4 Treatment of material, labor and FOH cost
- 3.5 Job cost sheets

### **Unit-4: Process Costing**

- 4.1 Process Costing – Introduction
- 4.2 Product Flow
- 4.3 Material, Labor and FOH Treatments
- 4.4 The Cost of Production Report
- 4.5 Difficulties Encountered in Process Costing

### **Unit-5: Materials**

- 5.1 Forecasting Materials
- 5.2 Material Procurement and Use
- 5.3 Material Costing Methods
- 5.4 Economic Order Quantity
- 5.5 Material Controls

### **Unit-6: Labor Costing**

- 6.1 Basics for Labor Cost Control
- 6.2 Labor Performance Reports
- 6.3 Incentive Wage Plans
- 6.4 Recording Labor Costs
- 6.5 Use of computers in calculation of labor costs

**Unit-7: Planning and Control of Factory Overhead**

- 7.1 Factory Overhead (Pre-determined rate, applied & actual)
- 7.2 FOH Variance Analysis
- 7.3 The Concept of Departmentalization
- 7.4 Departmental Overhead Rates and Variances
- 7.5 Overhead Departmentalization in Non-Manufacturing Business

**Unit-8: Budgeting**

- 8.1 Definition, Advantages of Budgets
- 8.2 Principles of Budgeting
- 8.3 The Master Budget – A Network of Inter-relationship
- 8.4 Sales, Production and Cash Budgets
- 8.5 Zero-based Budgeting
- 8.6 The concept of Flexible Budget – Different Dimensions

**Unit-9: Control through Standard Costs**

- 9.1 Standard Cost Defined
- 9.2 Comparison of Budgets and Standards
- 9.3 Setting Standards – Ideal Versus Practical Standards
- 9.4 Variances, calculation and analysis
- 9.5 Responsibility and Control of Variances

**Recommended Books**

	<b>Title</b>	<b>Author</b>	<b>Publisher</b>
1.	Cost Accounting – Planning and Control (Latest Edition)	Matz – Usury	National Book Foundation, Islamabad.
2.	Managerial Accounting (5 <sup>th</sup> Edition)	Ray H. Garrison	Irvine, USA.

\_\_\_\_\_[]\_\_\_\_\_