Final on 31-1-2014

ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Commerce)

COST ACCOUNTING (462)

CHECKLIST

SEMESTER: SPRING, 2014

This packet comprises the following material: -

1. Text book (one)
2. Assignment No. 1, & 2
3. Assignment forms (two sets)
4. Schedule for submitting assignments and tutorial meetings

If you find anything missing in this packet, please contact at the address given below:

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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 ASSIGNMENT(S) BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

Course: Cost Accounting (462) **Semester: Spring, 2014**
Level: BA/B.Com **Total Marks: 100**
Pass Marks: 40

ASSIGNMENT No. 1
(Units: 1–4)

Q. 1 (a) Define the cost accounting and describe that how does it differ from Financial Accounting? **(10)**

(b) What do you mean by operating expenses? Explain in detail with examples. **(10)**

Q. 2 Two components X and Y are used as follows: **(20)**

Average/Normal usage	50 units per week each	
Minimum usage	25 units per week each	
Maximum usage	75 units per week each	
Re-order quantity / EOQ	X: 300 units;	Y; 500 units
Re-order period/Lead time	X: 4 to 6 weeks;	Y; 2 to 4 weeks

Required: Calculate for each component:

(a) Re-order level (b) Minimum Level
(c) Maximum level (d) Average stock level

Q. 3 Ishaq Industries has two production departments A and B and two services departments X and Y. Department factory overhead costs after primary apportionment are as follows: **(20)**

A = Rs. 7,520 B = Rs. 8,710 X = Rs. 6,100 Y = Rs. 4,670

Service departments render services in the following proportion:

	A	**B**	**X**	**Y**
Service dept. X	30%	55%	—	15%
Service dept. Y	40%	50%	10%	—

Required: Calculate total factory overheads of production departments by preparing factory overhead distribution sheet.

Q. 4 (a) State the basic points in Halsey Premium Bonus Scheme. What are the advantages and disadvantages of the scheme? Also describes the underlying principles behind employer's sharing a portion of the time saving. **(10)**

(b) In a factory there are 5,000 workmen on the rolls. Number of new recruits during the year is 200 and number of separation in the year is 100. Find: **(10)**
(i) Labour Turnover Rate and
(ii) Labour Flux Rate

Q. 5 Following information has been extracted from the book of Qadri Corporation. You are required to prepare an income statement for the year ended December, 2013: **(20)**

Beginning inventory (at Sales Price)	Rs. 12,000
Purchases during the period (at Cost)	75,000
Ending Inventory (at Sales Price)	8,000
Sales (at Sales Price)	1,04,000
Selling expenses	10% of sales
General and Admin. Expenses	5% of sales

ASSIGNMENT No. 2

Total Marks: 100 **(Units 5–9)** **Pass Marks: 40**

Q. 1 A manufacturing corporation has its general office in Multan, but its plant is in Karachi. A separate set of records is kept at the home office and at the factory. On November 1, the factory trial balance showed the following:- **(20)**

Finished Goods	Rs. 6,400	
Work in Process	7,800	
Materials	3,500	
General Ledger		Rs. 17,700
Total	Rs. 17,700	Rs. 17,700

For November, the following transactions occurred: -

a) Materials purchased on account Rs.33,000.
b) Direct materials of Rs.22,000 were requisitioned, along with indirect materials of Rs.6,500 and Rs.2,500 of supplies.
c) Total payroll was Rs.30,000. The home office prepared the payroll and the checks and deducted 6.5% for FICA tax and 10% for federal income tax. The liability for employer payroll taxes is kept on the home office books. The state unemployment insurance tax rate is 2.1%; the federal unemployment insurance tax rate is 7%. The payroll consisted of office salaries of Rs.3,000, sales salaries of Rs.80,000, indirect labor of Rs.4,000 and direct labor of Rs.15,000.
d) Factory overhead is applied at a rate of 110% of direct labour cost.
e) Materials costing Rs.275 were defective and were returned to the supplier.
f) Payments made to vendors on account Rs.31,500.
g) Various factory overhead expenses totaled Rs.2,000, including Rs.400 depreciation on factory machinery.
h) Goods completed totaled Rs.48,300.
i) Goods costing Rs.45,000 were sold for Rs.65,000.

Required: Pass the Journal entries to record the above transactions in general office book and in the factory office books.

Q. 2 During the month of March the following costs were incurred in department B of Noor Ltd: **(20)**

Material Costs	Rs. 87,000
Labour Costs	Rs. 40,500
F.O.H Costs	Rs. 54,000

During the month 30,000 units with a total cost of Rs. 450,000 had been transferred into the department from department A of these, 25,000 units were completed & transferred to department C and 4,000 units were in process, on 30th April, being ¾ completed as to Material, ½ complete as Conversion Cost. 1,000 units lost at the end of the process.

Required: Prepare a cost of production report of Department B for April.

Q. 3 What is a master budget? Briefly describe its contents and illustrate your answer with suitable example. **(20)**

Q. 4 The following information has been extracted from the plants of Azhar Company for the year 2013: **(20)**

Budgeted overhead	Rs. 75,000
Budgeted Material Cost	Rs.50,000
Budgeted Labour Cost	Rs.1,00,000
Budgeted Labour Hours	75,000
Budgeted Machine Hours	60,000

Required:

i. Pre-determined FOH Rate based upon Material Cost, Labour Cost, Prime Cost, Labour hours and Machine Hours.

ii. Comments on each of the above basis used for calculating the Pre-determined FOH Rate and briefly explain the factors to be considered to select the appropriate basis.

Q. 5 Excel Corporation is the exclusive distributor for an automotive product that sells for Rs. 40 per unit and has a CM ratio of 30%. The company's fixed expenses are Rs. 300,000 per year. The company plans to sell 16,000 units this year. **(20)**

Required:

i. What are the variable expenses per unit?

ii. What is the break-even point in units and sales Rupees?

iii. What sales level in units and in sales Rupees is required to earn an annual profit of Rs. 120,000?

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