

Model Paper

GOVERNMENT COLLEGE UNIVERSITY, FAISALABAD

QUESTION PAPER FOR EXTERNAL EXAMINATION

B.Com. Part 2nd

Annual -2012

Roll No.....

Course Code: **BC-406**

Course Title: **Cost Accounting**

Time Allowed: 03:00 Hours

Maximum Marks: 100

Pass Marks: 40%

Note: Attempt any five questions. All questions carry equal marks

Q. No.1. Define Cost Accounting. How does it differ from financial accounting?

Q. No.2. Cost accountant of THAL manufacturing Company has prepared following summary:

Inventories at 1st July 2010:

Raw materials	30,000
Work in process	18,000
Fuel	2,000
Factory repairs parts	1,000
Finished goods	13,000

During the month following transaction take place.

Raw material purchased	30,000
Fuel purchased	18,000
Direct labor	120,000
Miscellaneous factory overhead	4,000
Repairs to factory (including purchase of parts)	5,000
Depreciation of plant	3,000
Superintendence	2,000
Transportation out	2,000
Purchase discount lost	1,000
Indirect factory labor	3,000

Inventories at 31st July 2010:

Raw materials	32,000
Work in process	22,000
Fuel	3,000
Factory Repair Parts	2,000
Finished Goods	18,000

Required: Prepare a statement of Cost of Goods Sold.

Q. No.3. Annual estimated factory overhead of a company for an expected volume of 1, 80,000 pounds of a Product was as follow:-

Fixed overhead Rs.36, 000

Variable overhead Rs.1, 08,000

Output was 10,000 pounds in June and actual overhead expenses were Rs.7700

Required:

- a) The overhead Rate per unit
- b) spending variable
- c) Idle capacity variance

Q. No.4. A company received an order for 1,000 instruments as a sales price of Rs.75 per instrument. Costs

Incurred to manufacture these instruments were:

Direct materials	Rs.20 per instrument
Direct labour	Rs.10 per instrument

Manufacturing overhead was applied @200% of direct labour cost.
 On final inspection it was found that 200 instruments were defective which were returned to concerned department of factory for rework. The additional costs for this rework were:

Direct labour	Rs.1, 000
Manufacturing overhead at applied rate.	

Required:- Entries that would appear in the books under each of the following conditions:

1. When reworking costs are charged directly to the job on which they occurred.
2. When additional costs incurred in reworking are charged to factory overhead account.

Set up entries in two parallel columns for the following:

- a) To record initial cost of manufacturing the order.
- b) To record the additional cost for correcting the defective work.
- c) To record the completion of the work.
- d) To record the shipment of the order to the customer.

Q. No.5. Ramadan Company has its factory in Karachi but its head office in Lahore. On October 1, 2010 the Factory trial balance appeared as follows:

Materials	30, 000	
Work in process	80, 000	
Finished goods	40, 000	
Factory overhead control	5, 80, 000	
Factory machinery	2, 40, 000	
Accumulated depreciation on factory machinery		72, 000
Applied factory overhead		5, 69, 000
General Ledger		3, 29, 000
Total	9, 70, 000	9, 70, 000

The following transactions were completed during October:

- a) Direct materials Rs.1, 00,000 were purchased on terms 2/10, n/30.
- b) The factory payroll for Rs.75, 000 direct labour and Rs. 15,000 indirect labour was mailed to the home office. The home office payroll was Rs. 20,000 for sales salaries and Rs.30, 000 for general office salaries. Employee's payroll deductions were recorded at the home office at the following rates:

15% of gross earnings for income tax;

10% of gross earnings as provident fund contribution by the employees.

- c) Materials requisitions were as follows:

Direct material	70,000
Indirect materials	8,500
Shipping supplies	1,500

- d) Indirect factory materials and supplies amounting to Rs. 25,000 were purchased.

- e) Defective indirect materials returned to the suppliers amounted to Rs. 1,000
- f) Sundry factory expenses of Rs. 8,300 were recorded.
- g) Depreciation at an annual rate of 10% the original cost was recorded on factory machinery.
- h) Accounts payable totaling Rs. 2, 10,000 including the accrued payroll, were paid.
- i) Factory overhead was applied to production at the rate of Rs. 6 per direct labour hour; the factory Worked 7, 000. Hours.
- j) Goods completed with a total cost of Rs.2, 15,000
- k) Goods costing Rs. 2, 00,000 were sold for Rs.2, 74,000

Required: journal entries to record the above transaction on the general office and on the factory office books.

Q. No.6. Calculate the normal and overtime wages payable to a worker for the following data:

Days	Hours Worked
Monday	10
Tuesday	11
Wednesday	9
Thursday	12
Saturday	10
Sunday	4

Normal working hours were 8 hours per day. Normal rate was Rs.10.00 per hour. Overtime rate was as Follows:

Upto 9hours in a day at single rate and over time 9 hours in a day at double rate or up to 48 hours at a

Single Rate and above it at a double rate, which is more beneficial to the worker.

Q. No.7 During January 2010 department 2 received 20,000 units @ Rs.19.50 from department 1. Direct labour of Of Rs. 36,284 and a factory overhead of Rs. 72,568 were spent to process these units. During processing 500 units were lost as unavoidable spoilage. 3, 500 units, estimated to be 80% completed, were in process at the end of month. Remaining units were passed on to Department 3.

Required: Cost of production report of department 2 on 31st January 2010.

Q. No.8. Define the following term

- a) Conversion cost
- b) Job Order costing
- c) Semi-variable cost
- d) E.O.Q (Economic order quantity)
- e) Break even point