GOVERNMENT COLLEGE UNIVERSITY, FAISALABAD

Model Paper

M. Com. Part –II
Course Code: MC-602 Course Title: Industrial and Management Accounting

OBJECTIVE PART

Time Allowed : 30 Minutes Marks :20

Note: This question No. 1 is compulsory and its all parts carry equal marks. Please attempt the questions on the same paper and return it to the Center Superintendent with in the time allowed.

Q. No. 1 Tick the correct choice

(20X1)

1- The function of management that compares planned results to actual results is known as:
   A) planning.      B) directing and motivating.
   C) controlling.     D) decision making.

2- The cost of lubricants used to grease a production machine in a manufacturing company is an example of a(n):
   A) period cost.     B) direct material cost.
   C) indirect material cost.    D) none of the above.

3- The Assembly Department started the month with 59,000 units in its beginning work in process inventory. An additional 367,000 units were transferred in from the prior department during the month to begin processing in the Assembly Department. There were 35,000 units in the ending work in process inventory of the Assembly Department. How many units were transferred to the next processing department during the month?
   A) 391,000      B) 426,000
   C) 343,000      D) 461,000

4- Two or more products produced from a common input are called:
   A) common costs.     B) joint products.
   C) joint costs.     D) sunk costs.

5- Contribution margin is:
   A) Sales less cost of goods sold.
   B) Sales less variable production, variable selling, and variable administrative expenses.
   C) Sales less variable production expense.
   D) Sales less all variable and fixed expenses

6- Prime cost and conversion cost share what common element of total cost?
   C) Variable overhead.     D) Fixed overhead.

7- Managerial accounting:
   A) is more future oriented than financial accounting.
   B) tends to summarize information more than financial accounting.
C) is primarily concerned with providing information to external users.
D) is more concerned with precision than timeliness.

8- In a make-or-buy decision, relevant costs include:
A) unavoidable fixed costs
B) avoidable fixed costs
C) fixed factory overhead costs applied to products
D) fixed selling and administrative expenses

10- Abrar Company’s manufacturing overhead is 20% of its total conversion costs. If direct labor is $38,000 and if direct materials are $35,000, the manufacturing overhead is:
A) $18,250      B) $9,500
C) $8,750      D) $152,000

11- The contribution margin ratio always increases when the:
A) break-even point increases.
B) break-even point decreases.
C) variable expenses as a percentage of net sales decrease.
D) variable expenses as a percentage of net sales increase.

12- This is that portion of the material usage variance which is due to the difference between standard and actual composition of material:
A) Material yield variance    B) Material mix variance
C) Material price variance    D) Material usage variance

13- To obtain the dollar sales volume necessary to attain a given target profit, which of the following formulas should be used?
A) (Fixed expenses + Target net profit)/Total contribution margin
B) (Fixed expenses + Target net profit)/Contribution margin ratio
C) Fixed expenses/Contribution margin per unit
D) Target net profit/Contribution margin ratio

14- Under variable costing:
A) net operating income will tend to move up and down in response to changes in levels of production.
B) inventory costs will be lower than under absorption costing.
C) net operating income will tend to vary inversely with production changes.
D) net operating income will always be higher than under absorption costing.

15- The type of costing that provides the best information for breakeven analysis is:
A) job-order costing.                  B) variable costing.
C) process costing.                  D) absorption costing.
16- If Cost of goods sold = Rs. 40,000
GP Margin = 20% of sales
Calculate the Gross profit margin.
A) Rs. 32,000     B) Rs. 48,000
C) Rs. 8,000      D) Rs. 10,000

17- The cost expended in the past that cannot be retrieved on product or service
A) Relevant Cost     B) Sunk Cost
C) Product Cost     D) Irrelevant Cost

18- Product cost is normally:
A) Higher in Absorption costing than Marginal costing
B) Higher in Marginal costing than Absorption costing
C) Equal in both Absorption and Marginal costing
D) None of the given options

19- Which one of the following cost would not be termed as Product Costs?
A) Indirect Material     B) Direct Labor
C) Administrative Salaries    D) Plant supervisor’s Salary

20- This is the most widely used technique of controlling costs:
A) Standard costing     B) Process costing
C) Job costing     D) Batch costing

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M Com.          Part –II
Course Code: MC-602        Course Title: Industrial and Management Accounting
SUBJECTIVE PART
Time allowed: 02:30 Hours          Marks :80
Note: Attempt any four questions and each question carries equal marks.
Q. No. 2 Daha Inc. uses the FIFO method in its process costing system. The following data concern the operations of the company’s first processing department for a recent month.

Work in process, beginning:
Units in process (80% Materials and 90% Conversion) 900

Costs in the beginning inventory:
Materials cost .......................................................... $1,008
Conversion cost ........................................................ $27,621

Units started into production during the month ................... 19,000
Units completed and transferred out ......................... 19,700

Costs added to production during the month:
Materials cost .......................................................... $22,992
Conversion cost ........................................................ $650,504

Work in process, ending:
Units in process (90% Materials and 10% Conversion) 200

Required:
Prepare a production report for the department using the FIFO method.

Q. No. 3 A retail trader has just started his business by setting a cosmetic article at Rs. 20 each, the variable cost of purchase, etc. of which is Rs.12. The fixed costs are Rs. 8,000 per month. You are required to —
(a) Prepare a statement showing profit or loss if monthly sales are 500 units, 1000 units and 3000 units.

(b) Establish the fundamental margin cost equations and calculate
   (i) P/V ratio
   (ii) Break-even sales
   (iii) Profit at sales Rs. 40,000
   (iv) Sales to earn a profit of Rs. 5000
   (v) Margin of safety when sales are Rs. 44000

(c) Using a simple model of CVP calculate –
   (i) Break-even sales
   (ii) Profit at sales Rs. 40000
   (iii) Sales to earn profit of Rs. 5000.

Q. No. 4 Magnani Company, which has only one product, has provided the following data concerning its most recent month of operations:

Selling price ........................................................... $97
Units in beginning inventory .........................     0
Units produced ...................................................... 6,600
Units sold ............................................................... 6,200
Units in ending inventory .........................    400

Variable costs per unit:
Direct materials .................................................. $40
Direct labor ......................................................... $10
Variable manufacturing overhead ......................   $4
Variable selling and administrative ....................   $9

Fixed costs:
Fixed manufacturing overhead ......................... $184,800
Fixed selling and administrative ......................... $12,400

Required:
a. What is the unit product cost for the month under variable costing?
b. What is the unit product cost for the month under absorption costing?
c. Prepare an income statement for the month using the contribution format and the variable costing method.
d. Prepare an income statement for the month using the absorption costing method.
e. Reconcile the variable costing and absorption costing net operating incomes for the month.

Q. No. 5 (a) what is meant by cost management? Discuss briefly?
(b) Discuss the role of cost accounting in managerial decision making?

Q. No. 6 Rafhan Company produces frozen and condensed soup products. Frozen soups come in three principal varieties; white, pink and purple. The condensed soup
come in two principal verities: tomato and chicken noodle. The sales division prepared the following tentative sales budget for the first six months of the coming year.

<table>
<thead>
<tr>
<th>Product</th>
<th>Budgeted for sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frozen soups</td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>2,50,000 cans</td>
</tr>
<tr>
<td>Pink</td>
<td>1,50,000</td>
</tr>
<tr>
<td>Purple</td>
<td>3,50,000</td>
</tr>
<tr>
<td>Condensed Soups</td>
<td></td>
</tr>
<tr>
<td>Tomato</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Chicken noodle</td>
<td>7,50,000</td>
</tr>
</tbody>
</table>

The following inventory levels have been decided upon:

<table>
<thead>
<tr>
<th></th>
<th>Work in process</th>
<th>Finished goods</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning</td>
<td>Ending</td>
</tr>
<tr>
<td></td>
<td>Units</td>
<td>%Processed</td>
</tr>
<tr>
<td>Frozen Soups</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>5000</td>
<td>80</td>
</tr>
<tr>
<td>Pink</td>
<td>3000</td>
<td>70</td>
</tr>
<tr>
<td>Purple</td>
<td>4000</td>
<td>75</td>
</tr>
<tr>
<td>Condensed Soup</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tomato</td>
<td>25000</td>
<td>80</td>
</tr>
<tr>
<td>Ch. noodle</td>
<td>15000</td>
<td>60</td>
</tr>
</tbody>
</table>

Required: A production budget for the six month period?

Q. No. 7 The normal capacity of a plant is 20000 direct labor hours per month. At normal capacity, the budgeted factory overhead is $2.10 per direct labor hour, consisting of $12000 fixed expenses and $1.50 per hour variable expenses. During June, the plant operated 18000 direct labor hours, with actual factory overhead of $40000. The standard for the capacity attained is 17500 hours.

Required: An analysis of factory overhead using two-, three- and four variance methods?