UNIVERSITY OF THE PUNJAB

Associate Degree in Commerce / B.Com. Part – II

2nd Annual – 2020 & Annual – 2021

...st Accounting — Paper: BC-408

Roll No ....

Time: 3 Hrs. Marks: ...

NOTE: Attempt any FIVE questions. All questions carry equal marks.

...llowing transactions are related to Al-Khaliq Manufacturing Company, Rawalpindi. Factory i... ...uated at Jehlum. Total Payroll cost for the month Rs. 800,000, employee's income Tax withheld Rs ...,000, deduction for provident fund at the rate of 5% of gross payroll, voucher for net earnings o... ...nployees was prepared and paid. Payroll Analysis Sheet revealed the following information:

...irect labour	Rs.500,000
...ndirect labour	Rs. 60,000
...ales salaries	Rs.140,000
...ffice Salaries	Rs.100,000

...ote: Employee's provident fund Contribution (EPFC) by the employer is at the same rate as the rate o... ...eduction; rate of social security fund contribution (SSFC) by employer is 3% of gross pay.

...d: Prepare Journal entries to record the above transaction in general office books and factory office books

...ollowing information are taken from the books and records of Al-Azeem Industry for the month ended ...une 30, 2020:

	Units	Cost
Sales during the year	1,000	?
Opening inventories		
Work in process	—	—
Finished goods	280	Rs.32,400
Closing inventories		
Work in process	140	?
Finished goods	240	?

Manufacturing costs:

Direct materials cost	Rs.90,000
Direct labour cost	Rs.72,000
Factory overhead cost	Rs.54,000

Production manager of the company has submitted the following cost estimate for the closing work in process inventory:

Direct materials cost	Rs.8,100
Direct labour cost	Rs.3,600

The company's past experience showed that factory ~~overhead cost~~ tends to fluctuate closely in proportion to direct labour cost

...ired:

1. Determine number of units manufactured during the month.
2. Complete the production manager's estimate of the cost of work in process.
3. Prepare a manufacturing statement for the month.
4. Determine cost of each unit manufactured during the month.
5. Assume that the first cost recorded in the finished goods account is the first cost to be credited to the account. Determine ending inventory of finished goods.
6. Calculate cost of goods sold.
7. Calculate per unit cost of last month.

P.T.O.

Q.3: Following cost are charged to Finishing Department of Ayub Aluminum Works during the month of April:

Cost from preceding department..	Rs.94,500
Direct labour	Rs.38,468
Factory overhead applied..	Rs. 9,617

During April Finishing Department receives 18,000 units from preceding department 13,000 units are transferred to finished goods storeroom. 2,500 completed unites are in Finishing Department awaiting transfer. At the end of April 2,000 units are in process in Finishing Department. These units are 40% converted.

Required: A cost of production report of Finishing Department for the month of April:

Q.4: Mansoor Machinery Works estimates its annual requirement of a certain type of ball bearing is 20,000 units. Inventory carrying cost is 8% and ordering cost is Rs.50 per order. Purchase price of this type of ball bearing is Rs.100 per unit.

Required:

1) What is the most economical number of units to order?
2) Number of order placed in a year.
3) About how often an order need to be places?
4) Proof of correctness of your answer for (1) in the form of a table.

Q.5: Following data pertains to hours worked in a week by two workers of a factory:

Days:	Mon.	Tue.	Wed.	Thu.	Fri.	Sat.
Hours worked:						
Rashid	10	9	11	10	8	11
Basheer	9	8	10	9	8	11

Rashid is paid Rs.50 per hours and Basheer is paid Rs.60 per hours. For overtime hours the workers are paid time and a half. Normal working week is 48 hours. Factory works 6 days in a week.

Required: Normal and overtime wages of Rashid and Basheer?

Q.6: The Venus Manufacturing Company applied factory overhead to production by means of predetermined rate based on expected actual capacity. Factory overhead at expected actual capacity of 80,000 hours is Rs.1,000,000 of which Rs.600,000 is fixed and Rs.400,000 is variable. Normal capacity of the company is 100,000 hours. Actual capacity attained during the year was 85,000 hours and actual factory overhead was Rs.1,200,000

Required:

(a) Predetermined factory overhead rate based on expected actual capacity and normal capacity.
(b) Over applied and under applied factory overhead based on rate used by the company.
(c) Budget variance and volume variance.

Q.7: Al-Ahad Industry is preparing feasibility of a new product. Estimates as to sales and cost of this product are as under:

Estimates sales..	5,000 units per year
Estimates cost	
Direct materials	Rs.400 per unit
Direct labour	Rs.350 per unit
Manufacturing overhead	Rs.250 per unit
Marketing expenses	Rs.300 per unit
Administration expenses	Rs.100 per unit

It is policy of Al-Ahad Industry to earn net profit of 30% of sales.

Required:

a) Compute the sales price per unit.
b) Prepare an estimated income statement for the year showing revenues and expenses of this product.

Q.8: Explain the difference between periodic inventory system and perpetual inventory system. Which of these two systems is better?