QUESTION PAPER 2013

ALLOWED: 3 hours

Max. Marks: 100

Attempt any FIVE questions from the following. All questions carry equals

Q.1 What are the Principles and bases for the distribution of one head expenses among departments.

Q.2 Asad & Company Limited presents to you the following facts concerning the company’s operations for the year 2011.

Beginning inventory (at sales price) Rs. 37,500
Purchases (at cost price) Rs. 52,500
Sales (at sales price) Rs. 75,000
Ending inventory (at sales price) Rs. 50,000
Marketing expenses Rs. 16,000
Administrative expenses Rs. 6,000

REQUIRED:

An income statement for the year 2011.

Q.3 Al-Raheem Fabrics, during the month of January 2011, completed the following transaction:

(a) Materials purchased during January, 2011
    Direct materials Rs. 90,000
    Indirect materials Rs. 10,000
    Total Rs. 100,000

(b) Materials issued for use in production:
    Direct materials Rs. 80,000
    Indirect materials Rs. 5,000
    Total Rs. 85,000

(c) Defective materials returned to supplier:
Direct materials        Rs.     4,000  Indirect materials        Rs.      2,000
Total          Rs.      6,000

(d) Unused material returned by factory to store room
Direct materials        Rs.      2,000  Indirect materials        Rs.      1,000
Total          Rs.      3,000

(e) Payroll data for the month as follows:

Direct labour         Rs.  60,000  Indirect labour         Rs.  10,000
Salaries of marketing staff         Rs.  30,000  Salaries of administration staff         Rs.  20,000
Total          Rs.  120,000

Deduction of provident fund @ 10% of gross earning         Rs.  12,000
Net amount paid         Rs.108,000

Employer also contributes an equal amount towards provident fund.

(f) Factory overhead cost incurred during the month:

Bills for utilities         Rs. 12,000
Factory rent         Rs.16,000
Depreciation of plant         Rs.  4,000
Insurance of plant expired         Rs.  2,000
Total          Rs. 34,000

(g) Factory overhead is applied to production @ 50% of direct labour cost.

(h) Cost of finished output during the month Rs. 150,000.

(i) Finished goods costing Rs. 130,000 were sold for Rs. 170,000. Sales of Rs. 70,000 were for cash and Rs. 100,000 were on credit.

**REQUIRED:**
Pass entries in general journal form to record the above transaction.
Q.4 Production of an order consisting 800 units requires direct materials of Rs. 350,000 and direct labour of Rs. 250,000. Factory overhead is applied at the rate of 80% of direct labour cost. After completion of the order, 16 units are classified as spoiled which can be sold for Rs. 4,000. Customer takes delivery of remaining 784 good units and paid in cash the contracted prices at the rate of Rs. 1.250 per unit. Spoiled units are sold and Rs. 4,000 received in cash.

REQUIRED:

(1) Journal entries, if the loss is charged to the order.

(2) Journal entries, if the loss is charged to factory overhead.

Q.5 A worker takes 9 hours to complete a job in daily wages and 6 hours on a scheme of payment by results. His day rate is Rs. 7.50 per hour. Materials cost of the product is Rs. 400 and overheads are recovered at 150% of total direct wages.

REQUIRED:

Calculate factory cost of the product under:

(1) Piece work plan

(2) Hasley plan

Q.6 Annual estimate factory overhead of a company for an expected volume of 180,000 pounds of a product was as follows.

Fixed overhead Rs. 36,000
Variable overhead Rs. 108,000

Output was 10,000 pounds in June and actual overhead expenses were Rs. 7,700.

REQUIRED:

(1) The overhead rate per pound.

(2) Spending variance

(3) Idle capacity variance

Q.7 Following costs were charged to 2nd Department of Muddassar Corporation during the month of September. Cost of units received from 1st Department Rs. 364,000; materials Rs. 327,500; labour Rs. 221,970; overhead Rs. 80,360.
During the month 2nd department completed operations on 4,700 units and transferred these units to 3rd department, 200 units were lost during processing; the loss in considered unavoidable. At the end of month 300 units were in process; these units were 2/3 converted. All materials are added in 2nd department at the beginning of manufacturing operations.

**REQUIRED:**

Cost of production report.

**Q.8 Explain the followings:**

(1) Conversion cost  
(2) Job order costing system  
(3) Fixed cost  
(4) stock turnover  
(5) Historical cost