

QUESTION NO. 2

THAL Manufacturing Company

Cost of Goods Manufactured & Sold Statement

For the period ended 31st July 2010

	Rs.	Rs.
<u>Direct Material Cost:</u>		
Opening Inventory	30,000	
Add: Raw material purchased	130,000	
Cost of Raw material available for use	160,000	
Less: Closing Inventory	(32,000)	
Raw Material Used / Consumed / Put into Process		128,000
Add: Direct Labour Cost		120,000
Prime Cost		248,000
Add: Factory Overhead cost		33,000
Total factory cost		281,000
Add: Work in process – Opening Inventory		18,000
Cost of Goods to be manufactured		299,000
Less: Work in process – closing inventory		(22,000)
Cost of goods manufactured		277,000
Add: Finished Goods – opening inventory		13,000
Cost of goods available for sale		290,000
Less: Finished Goods – closing inventory		(18,000)
Cost of Goods Sold		272,000

WORKING:

<u>Factory Overhead Cost:</u>	Rs.	Rs.
<u>Fuel used:</u>		
Opening Inventory of fuel	2,000	
Add: Fuel purchased	18,000	
	20,000	
Less: Closing inventory of fuel	(3,000)	17,000
<u>Factory Repair Parts Used:</u>		
Opening Inventory of parts	1,000	
Add: Parts purchased	5,000	
	6,000	
Less: Closing Inventory of parts	(2,000)	4,000
Miscellaneous Factory Overhead	4,000	
Depreciation of plant	3,000	
Superintendence	2,000	
Indirect Factory Labour	3,000	
	33,000	

QUESTION NO 3

(i) The Overhead Rate Per Pound:

$$\begin{aligned} \text{Overhead Rate per Pound} &= \frac{\text{Annual Estimated F.O.H cost for normal capacity}}{\text{Annual Normal Capacity}} \\ &= \frac{\text{Rs. 144,000}}{180,000 \text{ Pounds}} \end{aligned}$$

Overhead Rate Per Pound = Rs. 0.80 Per Pound
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(ii) Spending Variance:

	<u>Rs.</u>	<u>Rs.</u>
Actual F.O.H Cost		7,700
<u>Estimated F.O.H Cost for 10,000 Pounds:</u>		
Fixed F.O.H Cost (36,000 ÷ 12)	3,000	
<u>Variable F.O.H Cost:</u>		

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$$= 10,000 \text{ Pounds} \times \text{Rs. } 0.60 = \underline{\quad 6,000} \quad \underline{\quad 9,000}$$

Favorable 1,300

(ii) Idle Capacity Variance:

Rs.

Estimated F.O.H Cost for 10,000 Pounds 9,000

Applied F.O.H Cost:

$$= 10,000 \text{ Pounds} \times \text{Rs. } 0.80 = \underline{\quad 8,000}$$

Unfavorable (1,000)

WORKINGS:

Variable F.O.H Rate:

$$= \frac{\text{Estimated Variable F.O.H cost for normal capacity}}{\text{Normal Capacity}}$$

$$= \frac{\text{Rs. } 108,000}{180,000 \text{ Pounds}}$$

Variable F.O.H Rate = Rs. 0.60 Per Pound

QUESTION NO 4

(i) When reworking costs are charged directly to the job on which they occurred:

JOURNAL

Date	Particulars	Debit (Rs)	Credit (Rs)
(a)	W.I.P – Material A/c (1,000 × 20)	20,000	
	W.I.P – Labor A/c (1,000 × 10)	10,000	
	W.I.P – F.O.H A/c (10,000 × 200%)	20,000	
	Material A/c		20,000
	Factory Payroll A/c		10,000
	F.O.H Applied A/c		20,000
	(Initial manufacturing cost of 1000 instruments recorded)		
(b)	W.I.P – Labor A/c	1,000	
	W.I.P – F.O.H A/c (1,000 × 200%)	2,000	
	Factory Payroll A/c		1,000
	F.O.H Applied A/c		2,000
	(Additional cost for correcting the defective instruments recorded)		
(c)	Finished Goods A/c	53,000	
	W.I.P – Material A/c		20,000
	W.I.P – Labor A/c		11,000
	W.I.P – F.O.H A/c		22,000

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(d) (i)	(Cost of finished goods recorded)	53,000	
	Cost of goods sold Finished Goods A/c		
(d) (ii)	(Cost of goods sold recorded)	75,000	75,000
	Accounts receivable A/c (1,000 × 75) Sales (Goods sold to customer)		
TOTAL		234,000	234,000

(ii) When additional cost incurred in reworking are charged to factory overhead account:

Date	Particulars	Debit (Rs)	Credit (Rs)
(a)	W.I.P – Material A/c (1,000 × 20)	20,000	
	W.I.P – Labor A/c (1,000 × 10)	10,000	
	W.I.P – F.O.H A/c (10,000 × 200%)	20,000	
	Material A/c		20,000
	Factory Payroll A/c		10,000
	F.O.H Applied A/c		20,000
	(Initial manufacturing cost of 1000 instruments recorded)		
(b)	Factory Overhead Control A/c	3,000	
	Factory Payroll A/c		1,000
	F.O.H Applied A/c (1,000 × 200%)		2,000
	(Additional cost for correcting the 200 defective instruments recorded)		
(c)	Finished Goods A/c	50,000	
	W.I.P – Material A/c		20,000
	W.I.P – Labor A/c		10,000
	W.I.P – F.O.H A/c		22,000
	(Cost of finished goods recorded)		
(d) (i)	Cost of goods sold A/c	50,000	
	Finished Goods A/c		50,000
	(Cost of goods sold recorded)		
(d) (ii)	Accounts receivable A/c (1,000 × 75)	75,000	
	Sales (Goods sold to customer)		75,000
TOTAL		228,000	228,000

QUESTION NO 5

General Ledger's Journal

Date	Particulars	Debit (Rs)	Credit (Rs)
(a)	Factory Ledger Vender Payable (Material purchased and sent to factory)	100,000	100,000

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(b) (i)	Payroll Income Tax Provident Fund Accrued Payroll (Payrolls and deduction recorded)	140,000	21,000 14,000 105,000
(ii)	Accrued Payroll Voucher Payable (Accrued payroll vouchered)	105,000	105,000
(iii)	Factory Payroll Selling Expense Administrative Expense Payroll (Distribution of total payroll)	90,000 20,000 30,000	140,000
(c)	Selling Expense Factory Ledger (Shipping supplies issued from store)	1,500	1,500
(d)	Factory Ledger Voucher Payable (Indirect material and supplies purchased and sent to factory)	25,000	25,000
(e)	Voucher Payable Factory Ledger (Defective indirect material return to supplier)	1,000	1,000
(f)	Factory Ledger Voucher Payable (Sundry factory overhead were recorded)	8,300	
(g)	No entry		
(h)	Accounts Payable Cash (Accounts payable including accrued payroll were paid)	210,000	210,000
(i)	No entry		
(j)	No entry		
	Cost of Goods Sold Factory Ledger (Cost of goods sold recorded)	200,000	200,000
	Accounts Receivable Sales (Goods sold to customers)	274,000	274,000
	TOTAL	1,204,800	1,204,800

Factory Office Book

Date	Particulars	Debit (Rs)	Credit (Rs)
(a)	Material General Ledger (Materials received from head office)	100,000	100,000
(b)	W.I.P	75,000	

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(c)	F.O.H Control General Ledger (Factory payrolls recorded)	15,000	90,000
	W.I.P F.O.H Control General Ledger Materials (Materials issued from store)	70,000 8,500 1,500	80,000
(d)	Materials General Ledger (Indirect materials received from the head office)	25,000	25,000
(e)	General Ledger Materials (Goods sold to customer)	1,000	1,000
(f)	F.O.H Control General Ledger (Sundry factory expenses recorded)	8,300	8,300
(g)	F.O.H Control Factory Machinery (Depreciation on factory machinery recorded)	24,000	24,000
(h)	No Entry		
(i)	W.I.P F.O.H Applied (7,000 × 6) (FOH applied to production @ Rs. 6 per direct labour hours)	42,000	42,000
(j)	Finished Goods W.I.P (Cost of finished goods recorded)	215,000	215,000
(k)	General Ledger Finished Goods (Cost of goods sold recorded)	200,000	200,000
TOTAL		785,300	785,300

QUESTION NO 6

Days	Hours Worked	Normal Working Hours	Overtime Calculations		Normal Wages (Normal working Hours × Rs. 10)	Overtime Wages	Total Wages
	(Hrs)	(Hrs)	Single	Double	(Rs.)	(Rs.)	(Rs.)
Monday	10	8	1	1	80	30	110
Tuesday	11	8	1	2	80	50	130
Wednesday	9	8	1	-	80	10	90
Thursday	12	8	1	3	80	70	150
Saturday	10	8	1	1	80	30	110
Sunday	4	4	-	-	40	-	40
	56				440	190	630

QUESTION NO 7

.....Manufacturing Co.

Department No 2

Cost production report

For the period ended 31st January 2010

	Units	Units
1. <u>Quantity Schedule:</u>		
Units received from Department 1		<u>20,000</u>
Units completed and transferred to department 3	16,000	
Units still in process	3,500	
Units cost in process (Abnormal)	<u>500</u>	<u>20,000</u>
2. <u>Cost charged to the department</u>	<u>Cost</u>	<u>Per unit cost</u>
a. Cost received from Department 1	390,000	<u>19.50</u>
b. <u>Cost added by the department:</u>		
i. Direct labour cost	36,284	1.88
ii. F.O.H Cost	72,568	3.76
	108,852	5.64
	<u>498,852</u>	<u>25.14</u>
3. <u>Cost accounted for as follows:</u>	Rs.	Rs.
a. <u>Cost of units completed & transferred to dept 3</u>		
= 16,000 units × Rs. 25.14		402,240
b. <u>Cost of units still in process:</u>		
i. <u>Cost received from department 1:</u>		
= 3,500 units × Rs. 19.50 =	68,250	
ii. <u>Cost added by the department:</u>		
Direct labour cost = 3,500 × 80% × Rs. 1.88 =	5,264	
F.O.H Cost = 3,500 × 80% × Rs. 3.76 =	<u>10,528</u>	84,042
c. <u>Cost of abnormal loss (Unavoidable):</u>		
= 500 units × Rs. 25.14 =		12,570
Total Cost accounted for		498,852

4. Computations explanation:

a. **Equivalent production:**

		<u>Units</u>
Direct labour	= 16,000 + (3,500 × 80%) + 500	19,300
F.O.H	= 16,000 + (3,500 × 80%) + 500	19,300

b. **Per Unit cost:**

Rs.

Direct labour cost	= 36,284 ÷ 19,300	1.88
F.O.H Cost	= 72,568 ÷ 19,300	<u>3.76</u>
		<u>5.64</u>

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