

1. Define any EIGHT of the following:

2.5x 8

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|-------------------------------|--|
| i) CONVERSION COST | ii) SEMI-FIXED COST |
| iii) MATERIAL TURN OVER RATIO | iv) TAYLOR'S DIFFERENTIAL SYSTEM |
| v) PERPETUAL INVENTORY SYSTEM | vi) DEFECTIVE GOODS |
| vii) ECONOMIC ORDER QUANTITY | viii) BUDGETED ALLOWANCE FOR CAPACITY ATTAINED |
| ix) FACTORY OVERHEADS | x) JOB COSTING |

2. Hira & Company presents following informations for the year 2009.

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	Rs.
Beginning Inventory (at Sales Price)	12,000
Purchases during the period (at Cost)	75,000
Ending Inventory (at Sales Price)	8,000
Sales (at Sales Price)	1,04,000
Selling Expenses	10% of Sales
General & Admin Expenses	5% of Sales

Required: An Income Statement for the year 2009.

3. R. Company uses process costing. The costs for department 2 for April were:

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Cost from preceding department	Rs. 20,000
Cost added by department:	
Materials	Rs. 21,816
Labour	7,776
Factory Overhead	4,104
	33,696

The following information was obtained from the department's quantity schedule:

Units Received	5,000
Units transferred out	4,000
Units still in process	1,000

The degree of completion of the work in process as to costs originating in Department 2 was:

50% of units were 40% complete; 20% were 30% complete; and the balance were 20% complete.

Required: The Cost of Production Report for Department 2 for April.

4. The Eee Company manufactured toys according to the specifications of its customers. An order No. 501 called for the manufacture of 100 toys. It is anticipated that 10% of the toys started in process are spoiled and have to be sold as second (this spoilage is considered as normal loss). On final inspection, however, only 5 toys were rejected and transferred to spoiled goods inventory to be sold at Rs. 2 each.

Direct materials Rs. 300, Direct labour Rs. 400 and Factory overhead Rs. 300 were incurred on Job No. 501 20

Required: Prepare entries to record the following:

- Cost of processing Order No. 501;
- Cost of Spoiled work;
- Transfer of 95 good toys to finished goods inventory;
- Sale of 5 imperfect toys.

5. The Neely Bar Company has been buying a given item in lots of 1,200 units which is a six months supply. The cost per unit is Rs. 12.00, ordering cost is Rs. 8.00 per order and carrying cost is 25%. 20

Required: How much can the company save per year by buying in the most economical lots?

6. Factory overhead variance analysis for the year ended December 31, 2009 showed the following:

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Idle Capacity Variance	Rs. 3,798 (Favourable)
Spending Variance	Rs. 2,337 (Unfavourable)
Applied Factory Overhead	Rs. 48,702

Required: a) Budgeted Allowance based on capacity utilized.
b) Actual Factory Overhead.

7. X Company inventories on September 1:

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Materials	Rs. 60,000	WIP-Materials	Rs. 30,000
Finished Goods	Rs. 50,000	WIP-Labour	Rs. 36,000
		WIP-FOH	Rs. 27,000

During September the cost of materials purchased was Rs. 200,000, direct labour cost incurred was Rs. 180,000 and factory overhead applicable to production was 75% of the direct labour cost.

The September 30 inventories were as follows:

Materials	Rs. 30,000	WIP-Materials	Rs. 12,000
Finished Goods	Rs. 47,000	WIP-Labour	Rs. 20,000
		WIP-Factory Overhead	Rs. 15,000

- Required:**
- i) T accounts showing the flow of the cost of goods manufactured and sold. Using three accounts for work in process.

ii) Prepare journal entries on September 30, to show the flow of cost through proper summary accounts.

8. What do you understand by Allocation and Apportionment of Overhead? Explain.

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9. Why is estimated Factory Overheads charged to production?

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