

Attempt **FIVE** Questions in all. **Question No. 1** is Compulsory.

 $2.5x \ 8$ 

- |      |                       |       |                      |
|------|-----------------------|-------|----------------------|
| i)   | Cost                  | ii)   | Direct Material Cost |
| iii) | Fix Cost              | iv)   | Sunk Cost            |
| v)   | Cost flow assumptions | vi)   | Factory ledger       |
| vii) | F.O.H applied rate    | viii) | Minimum stock level  |
| ix)  | Normal loss           | x)    | Incentive wage plan  |

4x4

Cost Item	Estimated Unit Cost (\$)
Direct materials	32
Direct labor	10
Variable factory overhead	15
Fixed factory overhead	6
Variable marketing	3
Fixed marketing	4

- Identify the estimated conversion cost per unit.
- Identify the estimated prime cost per unit
- Determine the estimated total variable cost per unit.
- Compute the total cost that would be incurred during a month with a production level of 12000 units and a sales level of 8000 units.

4

4

20

Accounts	Amount Rs.
Sales for the year	250000
Raw Materials Inventory as on July 1, 2003	13000
Finished goods inventory as on July 1, 2003	58000
Purchases	102000
Purchases return	2000
Direct labor cost	39000
Power, Heat & Light cost	2000
Indirect material consumed	4000
Depreciation on plant	3500
Depreciation on machinery	6000
Tools expenses	3000
Indirect labor cost	1000
Fire insurance	250
Miscellaneous manufacturing costs	500
W.I.P Inventory as of July 1, 2003	12000
W.I.P Inventory as on June 30, 2004	16000
Raw Materials Inventory June 30, 2004	19000
Finished goods inventory June 30, 2004	56500
FOH is applied @ 50% of direct labor cost	

General expenses @ 5% of sales

**Required:** Prepare income statement for the year ended June 30, 2004.

4x4

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|--|------------|
| Maximum Daily requirement                    | 80 Units   |
| Minimum Daily Requirement                    | 20 Units   |
| Economic Order Quantity                      | 3000 Units |
| Time required for receipt of material        | One month  |
| Period required to received emergency supply | 6 days     |

*(Continued Overleaf)*

- b) Haider corporation uses 1600dozen voles at Rs. 9/- dozen during a normal year. The cost to process an order is calculated to be Rs. 10. The company assumes an interest rate of 6% and estimates the annual carrying cost, storage, insurance etc. to be 10% of average inventory.  
**Required:** Determine the most economical order quantity. 4
5. The following particulars are given to you 10x2=20  

<b>Standard production time</b>	<b>10 Hours</b>	
<b>Time rate</b>	<b>Rs. 10 per Hour</b>	

Prepare a comparative table Halsey premium system and Rowan Premium system, if time taken is 9 hours, 8 hours, 5 hours, 4 hours and 3 hours. The table should clearly show the amount of bonus payable, the amount of total wages and labour cost per hour under the two methods.
6. Factory overhead of the Basef Co. for the month of May 2009 has been estimated as follows: 5x4=20  

Fixed Factory overhead	Rs. 15000	
Variable factory overhead	Rs. 45000	
Estimated direct labor hours	20000	

Production for the month reached 80% of the budget. Actual factory overhead was Rs. 43000.  
**Required:** a) Factory overhead applied rate      b) Under or over applied factory overhead  
c) Spending Variance      d) Idle Capacity Variance
7. Al Karam Company uses process costing. In blending department materials are added resulting in 50% increase in number of units. During August 2011 Blending department received 4000 units from previous department at a unit cost of Rs. 9. Cost incurred in Blending Department during the month were materials Rs. 48000, labor Rs. 40950 and overhead Rs. 35100. During the month 5500 units were completed and transferred to next department and the remaining units were still in process. (100% material and 70% converted) 20  
**Required:** A Cost of Production report for Blending Department for the month
8. Define Cost Accounting. What is an effective Costing System? What are the main advantages of Cost Accounting? 20
9. What is difference between Direct and Indirect Labor? What is an incentive wage system? Discuss individual and group incentive wages plans with examples. 20