INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

New Fall (E) 2011, April 2012 Examinations

Monday, the 23rd April 2012

FUNDAMENTALS OF COST AND MANAGEMENT ACCOUNTING – (S-201)

STAGE-2

Time Allowed: 2 Hours 45 Minutes **Maximum Marks: 90** **Roll No.:**

(i) Attempt all questions.
(ii) Answers must be neat, relevant and brief.
(iii) In marking the question paper, the examiners take into account clarity of exposition, logic of arguments, effective presentation, language and use of clear diagram/ chart, where appropriate.
(iv) Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper.
(v) Use of non-programmable scientific calculators of any model is allowed.
(vi) DO NOT write your Name, Reg. No. or Roll No. anywhere inside the answer script.
(vii) Question No.1 – "Multiple Choice Question" printed separately, is an integral part of this question paper.
(viii) **Question Paper must be returned to invigilator before leaving the examination hall.**

Marks

Q. 2 **(a)** Define the following terms:

(i) Fixed cost and step fixed cost **02**

(ii) Variable cost and semi-variable cost **02**

(b) Ahmed Manufacturing Company produces cleaning fluid. On March 31, 2012 the company had a fire which completely destroyed the building and work-in-process inventory, some of the equipments were saved.

After fire a physical inventory was taken. The materials were valued at Rs. 50,000, the finished goods at Rs. 80,000. The beginning inventory on January 01, 2012 consisted of the following:

	Rs.
Finished Goods	90,000
Work in Process	70,000
Material	45,000
Total	**205,000**

The review of the accounts showed that sales for the first three (03) months were Rs. 200,000. The gross profit was 25% of sales. Material purchases were Rs. 55,000 and freight on purchases was Rs. 10,000. Direct labour cost for the first four months was Rs. 40,000 and factory overhead was 50% of direct labour cost.

Required:

Estimate the value of work-in-process inventory lost by fire. **14**

Q. 3 **(a)** With reference to material control, describe the mechanism of 'Two Bin System'. **05**

(b) On January 01, 2012, Marvi House Limited, a famous boutique house in town, has 4 dresses which valued at Rs. 1,000 each. During January 2012, ten (10) more dresses were delivered as follows:

Date	Dresses Received	Purchase Price per Dress (Rs.)
January 10, 2012	2	1,200
January 15, 2012	5	1,450
January 25, 2012	3	1,600

PTO

Marks

The detail of dresses sold during January 2012 is as follows:

Date	Dresses sold	Sales price per dress (Rs.)
January 12, 2012	5	1,800
January 18, 2012	3	1,800
January 28, 2012	4	1,800

Required:

Calculate the gross profit using perpetual inventory at average costing method. **20**

Q. 4 (a) Define the following terms:

(i) Cost allocation **02**

(ii) Cost apportionment **03**

(b) From the two lists provided below, mention the appropriate basis in front of appropriate apportioned cost: **03**

Basis	Apportioned Cost
Number of employees	Heating and lighting
Weight of material	Insurance and depreciation
Floor area	Store keeping
Plant and equipment	Rates and rent
Stores requisitions	Canteen
Volume or space occupied	Material handling

(c) Ijaz Distributors is currently manufacturing two types of tins for food and beverages named Tin 'A' and Tin 'B' respectively. The management is offering two different incentive plans for labour which are as follows:

Incentive Plan # 1:

An employee is paid Rs. 10 per piecework hour produced.

Incentive Plan # 2:

An employee is paid as per following level of productions whether the employee produces Tin 'A' or Tin 'B' or both:

Level of production	Rate per unit
Upto 100 units	Rs. 10
From 100 units to 120 units	Rs. 20
Above120 units	Rs. 40

Required:

(i) Calculate the labour pay for the week under **incentive plan # 1** on the following condition: **06**

An employee has worked 40 hours in a week and produces the following:

	Time allowed per unit
20 units of Tin 'A'	5 hours
40 units of Tin 'B'	2 hours

(ii) Calculate the labour pay under **incentive plan # 2** if, the employee produces 125 units. **06**

Marks

Q. 5 **(a)** What is the relationship between standards and budgets? **05**

(b) The standard cost per unit of only product produced and sold by Adams Limited is as follows:

	Rs.
Direct Material – 15 kgs at Rs. 25 per kg	375
Direct Wages – 10 hours at Rs. 5 per kg	50
Fixed production overhead	75
Total Standard Cost	**500**

The fixed overhead included in the standard cost is based on an expected monthly out put of 1,000 units. During January 2012, the actual production was 900 units and the actual fixed production overhead recorded as Rs. 60,000.

Required:

Calculate fixed production overhead expenditure and volume variances. **06**

(c) The standard price of a material is Rs. 4 per unit. During January 2012, 1500 units were purchased at Rs. 3.80 per unit. The quantity of material issued during the month was 1200 units and quantity allowed for January's production was 1400 units.

Required:

Calculate material price variance assuming that:

(i) It is recorded at the time of purchase. **02**

(ii) It is recorded at the time of issue. **02**

Q. 6 **(a)** Define the following terms:

(i) Margin of safety **02**

(ii) Break-even analysis **02**

(b) Charles Wheels produce and sell single type of tyres. The variable cost of production is Rs. 250 per unit and the current sales price is Rs. 400 per unit. Fixed costs are 25,000 per month and the annual profit for the company at current sales volume is Rs. 240,000.

The Management is considering to increase the sales price per unit from Rs. 400 to Rs. 450 per unit and expects reduced sales volume. However, it wishes to achieve the profit at least at the same level as currently being earned.

Required:

Calculate the minimum number of tyre sold to achieve at least the current level of profit. **08**

THE END