INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

Fall 2012 (February 2013) Examinations

Tuesday, the 19th February 2013

COST ACCOUNTING – (AF-201)

SEMESTER-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)** What is the difference between data and information? What are the characteristics of quality data? **04**

(b) The Best Company desires to classify the costs and provides you the figures of trial balance for the period ended December 31, 2012 as under:

			Rupees
Sales	4,000,000	Sales returns and allowance	25,000
Purchases (net)	2,400,000	Transportation in	32,000
Direct labour	3,204,000	Factory overhead	1,886,000
Sales salaries	200,000	Advertising expense	155,000
		Delivery expense	65,000

Inventories:

		Rupees
	December 31, 2011	**December 31, 2012**
Finished goods	467,000	620,000
Work-in-process	136,000	130,000
Materials	196,000	176,000

Required:

Work out the:

(i) Total manufacturing cost. **06**

(ii) Cost of goods manufactured. **02**

(iii) Cost of goods sold. **03**

Marks

Q. 3 (a) Shariq Ltd. had the following inventories on January 1:

	Rupees
Raw material	100,000
Work-in-process	125,000
Finished goods	80,000

During the year following transactions were made:

- Material purchased on account of Rs. 750,000.
- Materials issued to production worth Rs. 770,000, of which Rs. 120,000 was indirect material.
- Payroll for the year was Rs. 1,500,000, including Rs. 300,000 of indirect labour.
- Factory overhead was charged to production @ 60% of direct labour cost.
- Goods worth Rs. 2,495,000 were completed during the year.
- Finished goods costing Rs. 2,400,000 were sold during the year.

Required:

Prepare the following ledger accounts:

(i) Material control account. **03**

(ii) Work-in-process account. **03**

(iii) Finished goods account. **02**

(b) Salma Company has an incentive plan for the past several years. The factory workers are paid Rs. 22.50 per unit with a minimum guaranteed wage of Rs. 1,750.00 per week. The report of employees' productivity for the week ending February 16, 2013, is as follows. All employees worked for the full 40-hour week:

Weekly Summary

Employee's Name	**Units Produced**
Mr. Ahmed	72
Mr. Mehmood	80
Mr. Hanif	78
Mr. Hamid	82
Mr. Tanvir	68
Mr. Irfan	73
Total	453

Required:

(i) Compute gross wages of each employee. **06**

(ii) What amount should be charged to work-in-process inventory? **01**

(iii) Indicate the amount that should be charged to factory overhead. **01**

(c) A company manufactures a product incurring the different conversion costs at different levels of output as given below:

Output (Units)	Total Conversion Cost (Rs. '000')
1,000	6,000
2,000	7,000
3,000	8,000

Required:

Calculate:

(i) The variable cost per unit. **02**

(ii) The fixed cost. **01**

(iii) The total cost of 1,000 units taking material cost of Rs. 10 million. **01**

(iv) The profit when company desires to earn 20% before other expenses and tax. **01**

Q. 4 **(a)** Describe the main features of job costing and process costing. **07**

(b) Details from the books of Rubina & Daughters show the following for the year 2012:

	Rupees
Sales (100,000 units @ Rs. 50 per unit)	5,000,000
Direct materials	1,500,000
Direct labour	1,000,000
Indirect manufacturing costs (40% of fixed)	1,500,000
Selling expenses (60% of fixed)	500,000
Assume there were no beginning and closing inventories	

Required:

Prepare an income statement using:

(i) Absorption costing method. **05**

(ii) Marginal costing method. **05**

Q. 5 The data of a manufacturing firm for the month of January are shown below:

	Department-1	Department-2
Units started in process	25,000	–
Units received from previous department	–	15,000
Units transferred to finished goods inventory	–	7,000
Units completed but not transferred	–	1,000
Ending units in process	10,000	7,000
	(80% direct materials, 65% conversion cost)	(75% conversion cost)
Cost added by departments:	**Rupees**	**Rupees**
Direct materials	46,000	–
Direct labour	64,500	132,500
Factory overhead (applied)	86,000	66,250

Required:

Prepare separate statements for Department-1 and Department-2 showing equivalent units, cost of production and total cost accounted for. **18**

Marks

Q. 6 **(a)** In order to establish the standard cost of one unit of Product-X, prepare a proforma standard cost card showing the following costs on the card indicating the imaginary figures: **05**

- Prime cost.
- Marginal cost.
- Total production cost.
- Total standard cost (including non-production overhead).

(b) The Chemtec Ltd., manufactures a chemical. The following standard costs are applied for the production of 100 units of chemical:

			Rupees
Materials	500 kgs	@ Rs. 8 per kg	4,000
Labour	20 hours	@ Rs. 15 per hour	300
Fixed overheads	20 hours	@ Rs. 10 per hour	200
			4,500

The monthly production/ sales budget is 10,000 units. The selling price is Rs. 60 per unit.

During the month of January 2013 the following actual production and sales information is available:

		Rupees
Chemical produced/ sold	10,600 units	
Sales value		630,000
Material purchased and used (53,200 kgs)		425,000
Labour (2,040 hours)		31,000
Fixed overheads		22,000

The company uses absorption costing method. There is no inventory at the start and end of the month.

Required:

(i) Calculate the following variances for the month of January 2013:

(1) Sales volume variance. **01**

(2) Sales price variance. **01**

(3) Materials price variance. **01**

(4) Materials usage variance. **01**

(5) Labour rate variance. **01**

(6) Labour efficiency variance. **01**

(7) Fixed overhead expenditure variance. **01**

(8) Fixed overhead volume variance. **01**

(ii) Prepare statement of profit for the month of January 2013 using the variances you have calculated at **(i)** above. **06**

THE END