

COST ACCOUNTING – SEMESTER-2**Marks****Question No: 2****(a) Difference between Data and Information:**

Data means facts. Data consists of numbers. Letters, symbols, raw facts, events and transactions which have been recorded but not yet processed into a form suitable for use. 1

Information is data which has been processed in such a way that it is meaningful to the person who receives it (for making decisions). 1

Characteristics of Quality Data:

Sometimes the issue of the quality of data is raised and often there is not a clear understanding of this issue. Quality data has several characteristics including the following:

- ❑ error free;
- ❑ available at the right time;
- ❑ available at the right place;
- ❑ available to the appropriate individuals.

Four (4) characteristics @ ½ mark each = 2

(b)**Rupees**

Direct materials:		
Materials inventory, December 31, 2011	196,000	½
Purchases (net)	2,400,000	½
Transportation in	32,000	½
Materials available for use	2,628,000	1
Less: Materials inventory, December 31, 2012	176,000	½
Direct materials consumed	2,452,000	1
Direct labour	3,204,000	½
Factory overhead	1,886,000	½
(i) Total manufacturing cost	7,542,000	1
Add: Work-in-process inventory, December 31, 2011	136,000	½
	7,678,000	½
Less: Work-in-process inventory, December 31, 2012	130,000	½
(ii) Cost of goods manufactured	7,548,000	1
Add: Finished goods inventory, December 31, 2011	467,000	
Cost of goods available for sale	8,015,000	1
Less: Finished goods inventory, December 31, 2012	620,000	½
(iii) Cost of goods sold	7,395,000	1

COST ACCOUNTING – SEMESTER-2**Marks****Question No: 3****(a)****Shariq Ltd.**

Rupees

(i)		Material Control Account		
Beginning inventory	100,000	WIP	650,000	
		FOH	120,000	1
Accounts payable	750,000			1
		Balance	80,000	
	<u>850,000</u>		<u>850,000</u>	1
(ii)		WIP Control Account		
Opening balance	125,000	Finished goods	2,495,000	1
Material	650,000	WIP closing	200,000	
Payroll	1,200,000			1
FOH applied	720,000			1
	<u>2,695,000</u>		<u>2,695,000</u>	
(iii)		Finished Goods Account		
Opening balance	80,000	Cost of goods sold	2,400,000	
WIP account	2,495,000	Closing balance	175,000	
	<u>2,575,000</u>		<u>2,575,000</u>	2

(b) (i) Each Employee's Gross Wages:

Employee's Name	Units Produced	Weekly Standard Unit	Difference from Standard	Minimum Weekly Guaranteed Wage (Rs.)	Additional Units @ 22.5 (Rs.)	Gross Wage (Rs.)				
Mr. Ahmed	72	78	(6)	1,750	—	1,750	1			
Mr. Mehmood	80	78	2	1,750	45	1,795	1			
Mr. Hanif	78	78	—	1,750	—	1,750	1			
Mr. Hamid	82	78	4	1,750	90	1,840	1			
Mr. Tanvir	68	78	(10)	1,750	—	1,750	1			
Mr. Irfan	73	78	(5)	1,750	—	1,750	1			
Total				10,500	135	10,635				
		1	+	1	+	2	+	2	=	6

(ii) Weekly minimum wage of Rs.10,500 should be charged to WIP inventory. 1**(iii)** Amount paid for additional units produced i.e., Rs.135 should be charged to FOH. 1

Marks

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	Rs. '000'	
	Total common cost at 3,000 units	8,000
	Total variable conversion cost of 3,000 units (3,000 x Rs. 1,000)	3,000
(ii)	Fixed cost	5,000
(iii)	Total cost of 1,000 units taking material cost of Rs. 10 million	
	Material	10,000
	Variable cost (1,000 x Rs. 1,000)	1,000
	Fixed cost	5,000
	Total cost	16,000
	Sales (16,000,000 ÷ 0.80)	20,000
(iv)	Profit	4,000

COST ACCOUNTING – SEMESTER-2**Marks****Question No: 4****(a) Main Features of Job Costing and Process Costing:****Job Costing:**

Job costing is a form of specific order costing and it is used when a customer orders a specific job to be done. Each job is priced separately and each job is unique. 1

- The main aim of job costing is to identify the costs associated with completing the order and to record them carefully. Individual jobs are given a unique job number and the costs involved in completing the job are recorded on a job cost sheet or job card. 1
- The selling prices of jobs are calculated by adding a certain amount of profit to the cost of the job. 1

Process Costing:

Process costing is a costing method used when mass production of many identical products takes place, for example, the production of bars of chocolate, cans of soup or tins of paint. It is an example of continuous operation costing. 1

- One of the distinguishing features of process costing is that all the products in a process are identical and indistinguishable from each other. For this reason, an average cost per unit is calculated for each process. 1
- Another main feature of process costing is that the output of one process forms the material input of the next process. 1
- There is closing work-in-process (WIP) at the end of one period, this forms the opening WIP at the beginning of the next period. 1

(b) (i)

Income Statement Absorption Costing		Rs. '000 ^b
Sales		5,000
Cost of goods sold		
Direct Material	1,500	
Direct Labour	1,000	
FOH applied	1,500	
Cost of Goods Sold		4,000
Gross Profit		1,000
Less Selling Expenses		500
Net Profit		500

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(ii)

Income Statement Marginal Costing		Rs. '000 ^c
Sales		5,000
Less Marginal Cost		
Direct Material	1,500	
Direct Labour	1,000	
Variable FOH	900	
Variable Selling Expense	200	
Marginal Cost		3,600
Contribution Margin		1,400
Less Fixed Expenses		
Fixed OH	600	
Fixed Selling Exp	300	
Total OH		900
Net Profit		500

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COST ACCOUNTING – SEMESTER-2**Marks****Question No: 5**

DEPARTMENT-1				Rupees
Quantity Schedule				
Units started				25,000
Completed				15,000
WIP closing inventory				10,000
				25,000
				1
Equivalent Units of Production				
Material	= 15,000 + 80% of 10,000	=		23,000
Conversion	= 15,000 + 65% of 10,000	=		21,500
				1
				1
Cost of Production:				
	Total Cost (Rs.)	Equivalent Units	Unit Cost (Rs.)	
Material	46,000	23,000	2.00	
Labour	64,500	21,500	3.00	
Factory overhead	86,000	21,500	4.00	
	196,500		9.00	2
Total Cost Accounted for				
		Total Cost (Rs.)		
Finished goods transferred out	(15,000 x 9)		135,000	1
Work-in-process Ending:				
Material	(8,000 x 2)	16,000		½
Labour	(6,500 x 3)	19,500		½
Factory overhead	(6,500 x 4)	26,000	61,500	½
			196,500	½
DEPARTMENT-2				
				Rupees
Quantity Schedule				
Units received from previous department				15,000
Units completed and transferred out				7,000
Units completed but not transferred				1,000
Units in WIP closing				7,000
				15,000
				2
Equivalent Units of Production				
Conversion	= 8,000 + 75% of 7,000	=		13,250
				2
Cost of Production:				
	Total Cost (Rs.)	Equivalent Units	Unit Cost (Rs.)	
Cost from preceding department	135,000	—	9.00	1
Cost added by the department				
Labour	132,500	13,250	10.00	½
Factory overhead	66,250	13,250	5.00	½
	333,750		24.00	1
Total Cost Accounted for				
		Total Cost (Rs.)		
Goods completed and transferred	(7,000 x 24)		168,000	½
Goods completed but not transferred	(1,000 x 24)		24,000	½
WIP closing inventory:				
Cost from preceding department		63,000		½
Labour	(5,250 x 10)	52,500		½
Factory overhead	(5,250 x 5)	26,250	141,750	½
			333,750	½

COST ACCOUNTING – SEMESTER-2**Marks****Question No: 6**

(a)

**Standard Cost Card
Product Samsonite**

		Rupees	
Direct materials	(80 x Rs. 45)	3,600.0	
Direct labour:			
Bonding	(24 hours at Rs.500)	12,000.0	
Finishing	(15 hours at Rs.300)	4,500.0	
□ Prime Cost		20,100.0	2
Variable overhead:			
Bonding	(Rs. 500,000 ÷ 350,000 x 24 hours)	34.3	
Finishing	(Rs. 450,000 ÷ 350,000 x 15 hours)	30.9	
□ Marginal Cost		20,165.2	1
Production overhead	(Rs. 600,000 ÷ 950)	631.6	
□ Total Production Cost		20,796.8	1
Non-production overheads	(Rs. 650,000 ÷ 950)	684.2	
□ Total Standard Cost		21,481.0	1

(b) (i) (1) Sales Volume Variance:

$$(10,600 - 10,000) \times [\text{Rs. } 60 - (4,500 \div 100)] = \text{Rs. } 9,000 \text{ F} \quad 1$$

(2) Sales Price Variance:

$$[(630,000 \div 10,600) - \text{Rs. } 60] \times 10,600 = \text{Rs. } 6,000 \text{ (A)} \quad 1$$

(3) Materials Price Variance:

Actual quantity x actual price	Rs. 425,000 (Given)		
Actual quantity x standard price (53,200 x Rs. 8)	Rs. 425,600	= Rs. 600 F	1

(4) Materials Usage Variance:

Actual quantity x standard price (53,200 x Rs. 8)	Rs. 425,600		
Standard quantity x standard price {10,600 x (500 ÷ 100) x Rs. 8}	Rs. 424,000	= Rs. 1,600 (A)	1

(5) Labour Rate Variance:

Actual hours x actual rate	Rs. 31,000 (Given)		
Actual hours x standard rate (2,040 x Rs. 15)	Rs. 30,600	= Rs. 400 (A)	1

(6) Labour Efficiency Variance:

Actual hours x standard rate (2,040 x Rs. 15)	Rs. 30,600		
Standard hours x standard rate {10,600 x (20 ÷ 100) x Rs. 15}	Rs. 31,800	= Rs. 1,200 F	1

Marks

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1

$$1 + 1 = 2$$

1

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