

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

SPRING (SUMMER) 2008 EXAMINATIONS

Monday, the 19th May, 2008

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

Stage- 2

Time Allowed – 2 Hours 45 Minutes

Maximum Marks – 90

- (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 on 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.

Marks

Q. 2 State the control accounts, and the supporting subsidiary records concerned with cost finding, recording, and tracing the flow of costs. 08

Q. 3 (a) What are the factors that influence the choice of method to be used in pricing of material issued to production? 06

(b) On 1st January 2007, the stock in the stores of Titupi Corporation was 645 components at Rs.175 each. During the next three months the receipts and issues of components were as under:

<u>MONTH</u>	<u>PURCHASED</u>	<u>ISSUED</u>
January	440 at Rs.185	400
February	500 at Rs.200	610
March	750 at Rs.210	950

When stock was taken at 31st March 2007, 330 components were found in stock.

Required:

- (i). Work out the cost of component issued / used, using the FIFO method and pass journal entry to charge the cost to production. 07
- (ii). Calculate value of stock on 31st March 2007. 02
- (iii). How would you deal with the discrepancy revealed at the time of stock taking on 31st March 2007? Give the journal entry to record this discrepancy to adjust the balance to actual stock. 05

PTO

- Q. 4 (a)** Before deciding a particular remuneration method, what factors should be taken into consideration? 04
- (b)** Standard production in Aicha Corporation is 30 units per hour. During the 1st week of January 2008, a worker's record showed eight (08) hours worked each day with the following units production:
- Monday 200 units
 - Tuesday 210 units
 - Wednesday 250 units
 - Thursday 260 units
 - Friday 300 units

Required:

Compute the daily earnings, the labour cost per unit and the gross earnings for the week if the corporation uses:

- (i). A straight piece rate of Rs.2 per unit. 04
 - (ii). A 100% bonus plan based on daily production at the hourly wage rate of Rs.60. 06
 - (iii). An incentive plan with 80% of the time saved each day and the hourly wage rate is Rs.60. 06
- Q. 5 (a)** Explain with examples the following: 03
- (i) Administrative overhead.
 - (ii) Selling overhead.
 - (iii) Distribution overhead.

- (b)** In the course of manufacturing of main product "P", by-products "A" & "B" are also emerged. The joint expenses of manufacturing amount to Rs.119,550. All the three products are processed further after separation and sold as per the details given below:

	Main Product	By-Products	
	P	A	B
Sales (Rs.)	90,000	60,000	40,000
Cost incurred after separation (Rs.)	6,000	5,000	4,000
Profit percentage on sales	25%	20%	15%

Total fixed selling expenses are 10% of total cost of sales which are apportioned to these three products in the ratio of 20:40:40.

Required:

- (i). Prepare a statement showing the apportionment of joint costs to the main product and the two by-products. 10
- (ii). If the by-product "A" is not subject to further processing and is sold at the point of separation, for which there is a market at Rs.58,500 without incurring any selling expenses, would you advise its disposal at this stage ? Show your working. 07

Marks

Q. 6 (a) (i). State the possible effects on a department unit costs when materials are added to work-in-process. 04

(ii). What adjustments are made in the unit costs when materials are added to work-in-process causing an increase in the number of units? 03

(b) Alpha company uses average cost basis in the process costing method. The following data relates to the month of May 2007:

	<u>(Units)</u>
Units in opening inventory (All materials, 40% Labour & overheads)	4,000
Value of opening inventory:	<u>(Rupees)</u>
Materials	14,400
Labour	9,600
Overheads	7,200
Received in process during the month	20,000
with cost of	
Materials	120,000
Labour	99,840
Overheads	74,880
Units completed	21,000
Units in process at the end of month (May 31, 2007) (All materials but only 60% of labour & overheads)	3,000

Required: Compute the following:

(i) Value of units completed. 10

(ii) Value of work-in-process Inventory as on 31st May 2007. 05

THE END