ALLAMA IQBAL OPEN UNIVERSITY

Level: Bachelor
Paper: **Cost Accounting (186)**
Time Allowed: **03 Hours**

Semester: **Autumn 2009**
Maximum Marks: **100**
Pass Marks: **40**

Note: ATTEMPT ANY FIVE QUESTIONS. ALL CARRY EQUAL MARKS.

Q.No.1

Normal capacity of the Duro Company is set at 90,000 direct labour hours. The expected operating level for the period just completed was 72,000 hours. At this expected actual capacity level, the variable expense was estimated to be Rs.54,000 and the fixed expense, Rs.36,000. Actual results show 75,000 hours were worked during the period.

Required:

(a) The predetermined overhead rate based on normal capacity.
(b) The predetermined overhead rate based on expected actual capacity
(c) The amount of factory overhead applied to production if the company used the normal over head rate.
(d) The amount of factory overhead applied to production if the company used the actual expected over head rate.
(e) Variance computations to show whether there would be a favourable idle capacity variance if the normal capacity rate were used.
(f) Variance computations to show whether there would be a favourable idle capacity variance if the expected actual rate were used.

Q.No.2

The general ledger of the Fletcher Company contains a factory overhead control account supported by a subsidiary ledger showing details by departments. The plant has one service department and a three producing departments.

	Machining dept	Painting dept	Assembly dept	General factory cost pool
Building space (sq.ft)	12000	3000	3000	2000
Value of machinery	$35,000	5,000	4000	4000
Horsepower rating	100	-0-	10	15
Compensation insurance rate(per $100)	$1.50	$1.50	$1.00	$1.50

During January, certain assets expired and some liabilities accrued as outlined below.

(a) Depreciation on buildings, 4% per year; cost, $60,000,
(b) Depreciation on machinery based on 10 year life; machinery cost, $48,000.
(c) Property tax for the year ending December 31 is estimated to be $1,200 (60% on buildings and 40% on machinery),
(d) Fire insurance in the amount of $100,000 is carried on buildings and machinery and the rate is $.60 per $100 of coverage. Sixty percent of this insurance applies to buildings. The prepaid fire insurance account shows a balance of $300 at January 31 before adjustment.
(e) Compensation Insurance for January is based on the following earnings of factory employees; machining department $4,000, painting department $2,000. Assembly department $1,800, and general factory cost pool, $600.
(f) The power meter reading at January 31 shows 12500 kilowatt-hours consumed. The rate is $.03 per kilowatt-hour.
(g) The heat and light bill for January is $300.
(h) Supplies requisitions show $180 used in the machining department $230 in the assembly department and $410 in the General Factory Cost Pool.

Required: journal entries with details entered in the factory overhead subsidiary ledger

Q.No.3 (A)

A Dawn industry has developed the following data to assist in controlling one of its inventory items.

Economic Order Quantity	1,000 Kg
Average daily use	100 Kg
Minimum daily use	80 Kg
Maximum daily use	120 Kg
Lead Time	7 days

Required: (1) Order Point (2) Maximum inventory level (3) Minimum inventory level