Q1. The manufacturing account of the safe lock manufacturing company was made up of the following accounts:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory overhead (actual)</td>
<td>Rs 45000</td>
</tr>
<tr>
<td>Indirect Labor</td>
<td>25000</td>
</tr>
<tr>
<td>Direct Labor</td>
<td>40000</td>
</tr>
<tr>
<td>Indirect Materials</td>
<td>10000</td>
</tr>
<tr>
<td>Direct Materials</td>
<td>+5400</td>
</tr>
<tr>
<td>Raw Materials Inventory, beginning</td>
<td>10250</td>
</tr>
<tr>
<td>Raw Materials Inventory, ending</td>
<td>20000</td>
</tr>
<tr>
<td>Purchases of raw materials</td>
<td>64750</td>
</tr>
</tbody>
</table>

Required:

a. Prepare entries to close the above individual accounts.
b. What is the balance remaining in the manufacturing account and what does this balance represent?
c. How is the manufacturing account closed?

Q2. The Pak Plastic Co. maintains a general ledger and a factory ledger. The following transactions occurred during January:

Jan 1  Purchased Materials on account for Rs 10000 for use in the factory and supplies for Rs 2500 for use in the home office.
8      Placed Rs 7500 of direct materials in process.
15     Factory and home office payroll (prepared and paid).

Factory Payroll:

<table>
<thead>
<tr>
<th>Labor</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct labor</td>
<td>Rs 2500</td>
</tr>
<tr>
<td>Indirect labor</td>
<td>1500</td>
</tr>
<tr>
<td>Office payroll</td>
<td>1000</td>
</tr>
</tbody>
</table>

Jan 19  Paid factory rent Rs 600 for January.
31     Recorded depreciation on factory equipment of Rs 175.
31     Recorded finished goods of Rs 5000.

Required:

- Record the proceeding transactions in the general ledger and factory ledger.
Q3. The Swift Manufacturing Co. manufactures a product in tow departments. The following data relates to production for March:

Cost added by Department - A:
- Materials: Rs 31200
- Labor: 361200
- Factory overhead: 34572
- Work-in-Process Inventory Ending: 14952

Cost added by Department - B:
- Cost form Department - A: ?
- Cost added:
  - Labor: Rs 35700
  - Factory overhead: 31920
  - Work-in-Process Inventory Ending: 14560

Required:
- Prepare all the necessary general journal entries for Department - A and Department - B including entries for the cost of production transferred from Department - A to Department - B, and the cost of finished goods.

Q4. Assume the following information for the Alfa Company:

- Factory overhead: Rs 425,000
- Limits of Production: Rs 500,000
- Direct Materials Cost: Rs 1,000,000
- Direct Labor Cost: Rs 150,000
- Direct Labor hours: Rs 750,000
- Machine Hours: Rs 1,500,000

Required:
- Compute the FIFO for the Alfa Co. under the following bases:
  a. Units of production
  b. Direct materials cost
  c. Direct labor cost
  d. Direct labor hours
  e. Machine hours

Q5. The Communication Manufacturing Co. provides the following cost information for the year ended December 31, 2016:
- Materials put into production: Rs 120000, of which Rs 80000 was considered direct materials
- Factory labor costs for the year: Rs 90000, of which Rs 25000 was for indirect labor
- Factory overhead costs for utilities: Rs 10000.
- Beginning and ending work-in-process inventories: 0
- Selling, general and administrative expense: Rs 60000
- Unins of product completed during the year: 10000

Required: Compute the following:
- Cost of goods manufactured
- Total cost of operation
- Prime costs
- Conversion costs
- Product costs
- Period costs
- Unit cost of product
Q5. The ABC Co. recently adopted an incentive plan. Factory workers are paid Rs 8 per unit with a guaranteed minimum wage of Rs 2000 per week. Following is a report on the employees’ productivity for the week ended December 31, 2010. All employees had worked the full 40–hour week.

<table>
<thead>
<tr>
<th>Name</th>
<th>Units Produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mehtab</td>
<td>240</td>
</tr>
<tr>
<td>Jamsheed</td>
<td>275</td>
</tr>
<tr>
<td>Haroon</td>
<td>250</td>
</tr>
<tr>
<td>Atif</td>
<td>283</td>
</tr>
<tr>
<td>Kuleem</td>
<td>225</td>
</tr>
<tr>
<td>Viquer</td>
<td>265</td>
</tr>
<tr>
<td>Total</td>
<td>1540</td>
</tr>
</tbody>
</table>

Required

a. Compute each employee’s total wages.
b. Prepare a schedule showing employee’s name, units produced, piece rate, piecwork earnings, below minimum, total earnings.
c. Given an entry in general journal debiting work-in-process account and factory overhead account and crediting cash account by appropriate amounts.
KARACHI UNIVERSITY BUSINESS SCHOOL
University of Karachi
FINAL EXAMINATION, JUNE 2018: AFFILIATED COLLEGES
COST ACCOUNTING: BA (II) – 511
RS – V

Date: June 26, 2018
Max Time: 2.5 Hrs
Max Marks: 40

Instruction: Attempt all questions

Q.1
On October 1, the Flora Company had the following inventories:
Manuscripts 20% of WIP's (WIP, WIP: 25% of finished goods (F.G.) and finished goods, Rs. 35,000).
During the month, Flora purchased materials Rs. 30,600. Direct labor for October was 7% of sales, at a
discount rate of 10% for every sales. Marketing and administration expenses for the month amounted to 10% of
sales.
Inventories on October 31 were as follows:
Manuscripts 20,000, WIP 25% of Direct labor for October, and finished goods, Rs. 40,000. Net sales for October
were Rs. 200,000. Net net sales for October included 2 items of finished goods ending. POM is applied on the basis of Rs. 8 per direct labor hour.

Calculate:
1. Prime Cost
2. Conversion cost
3. Cost of goods manufactured

Q.2
Dental Inc., uses the FIFO method as its process costing system. The following data concern the operations of
the company's first processing department for a recent month:

Work in process, beginning
Units in process: 300
Stage of completion with respect to materials: 50%
Stage of completion with respect to conversion: 50%
Costs in the beginning inventory: Rs. 1,008
Materials cost: Rs. 27,371
Units started into production during the month: 10,000
Units completed and transferred out: 9,700
Costs added to production during the month:
Materials cost: Rs. 22,992
Conversion cost: Rs. 650,254

Work in process, ending
Units in process: 300
Stage of completion with respect to materials: 90%
Stage of completion with respect to conversion: 90%

Required:
Prepare a production report for the department using the FIFO method.

Q.3
Larin Company uses a job order cost system in each of its two manufacturing departments. Manufacturing
overhead is applied to jobs on the basis of direct labor cost in Department A, and machine hours in Department
B. The following information related to the two departments for 2017:

A Department

| Manufacturing overhead | Rs. 5,400,000 |
| Direct labor hours | 1,000,000 |
| Machine hours | 20,000 |

B Department

| Manufacturing overhead | Rs. 1,000,000 |
| Direct labor hours | 1,000,000 |
| Machine hours | 20,000 |

During January, the job cost sheet showed the following costs in production data.

A Department

| Direct materials used | Rs. 195,000 |
| Direct labor cost | 100,000 |
| Manufacturing overhead applied | 100,000 |
| Machine hours | 15,000 |

B Department

| Direct materials used | Rs. 120,000 |
| Direct labor cost | 100,000 |
| Manufacturing overhead applied | 100,000 |
| Machine hours | 15,000 |

Required:
(a) Compute the predetermined overhead rate for each department.
(b) Compute the incidence of the manufacturing overhead account at the end of January and indicate
whether overapplied or underapplied.
Q.4  Firm Manufacturing Company uses a job order costing costing system and keeps perpetual inventory records.

Prepare journal entries to record the following transactions during the month of June.

1. Purchased raw materials for Rs 25,000 on account.
2. Issued materials requisitioned by production: Direct materials Rs 6,000.
3. Indirect materials Rs 1,000.
4. Repairs factory utilities, Rs 2,000 and repairs for factory equipment, Rs 3,000.
5. Invoiced Rs 7,200 of factory labor.
6. Time tickets indicated the following:
   - Direct Labor: 4,000 hrs @ Rs 12 per hr = Rs 48,000
   - Indirect Labor: 1,000 hrs @ Rs 8 per hr = Rs 8,000
   - Total labor cost: Rs 56,000.
7. Applied manufacturing overhead to production based on a predetermined overhead rate of Rs 9 per direct labor hour worked.
8. Goods costing Rs 39,000 were completed in the factory and were transferred to finished goods.
9. Goods costing Rs 13,000 were sold for Rs 25,000 on account.
Q1. Dealer Company actual factory overhead to Work in Process. Following are selected accounts of September:

<table>
<thead>
<tr>
<th>September 1</th>
<th>September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work in Process</td>
<td>7,000</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>20,000</td>
</tr>
<tr>
<td>Account Payable (ignore payroll)</td>
<td>13,000</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>54,000</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>10,000</td>
</tr>
<tr>
<td>Totals</td>
<td>80,000</td>
</tr>
</tbody>
</table>

Additional information:
(a) All sales are on account.
(b) The accounts payable in hand for the purchase of materials and supplies only.
(c) Dealer's markup is 10% of sales.
(d) Work in process at the end of September had $2,000 of materials, & $4,000 of direct labor and $2,000 of factory overhead charged to it.
(e) Actual factory overhead costs for September were:
- Supplies: $20,000
- Inspectors labor: $15,000
- Depreciation: $10,000
- Insurance: $2,000
- Miscellaneous: $13,000

(f) Materials and Supplies purchased on account, $65,000.

Required: Using T-Accounts determine:
(1) Materials issued to production
(2) Direct labor
(3) Total factory overhead
(4) Cost of goods manufactured
(5) Cost of goods sold
(6) Payment of accounts payable
(7) Collection of accounts receivable
(8) Payment of payroll

Q2. During February, the Assembly Department received 60,000 units from the Casting Department at a unit cost of $3.50. Costs added to the Assembly Department were: materials, $220,000; labor, $101,000; and factory overhead, $55,500. There was no beginning inventory. Of the 60,000 units received 70,000 were transferred out; 9,000 units were in process at the end of the month (all materials, 2/3 converted); 1,000 less units were 1/2 completed as to materials and conversion costs. The entire loss is considered abnormal and is to be charged to factory overhead.

Required:
- Prepare a cost of production report.

Q3. The following job order cost sheets were prepared for three jobs that were in production during January:

<table>
<thead>
<tr>
<th>Job 97</th>
<th>Job 98</th>
<th>Job 99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>$60,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Labor</td>
<td>70,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Applied factory overhead</td>
<td>60,000</td>
<td>60,000</td>
</tr>
</tbody>
</table>

On January 1, Job 97 was 40% complete as to materials, labor, and factory overhead and was completed and sold on account during the month. Job 99 was started and completed during January but was not sold and Job 99 was started but not completed during the month.
Required:

1. Prepare the journal entries for January to record job costs in Work in Process and Finished Goods and to record the sale. Show subsidiary record detail for job orders.

Q4. The Cutting Department is the first stage of Monk Company's production cycle. Conversion cost for this department was 80% complete as to the beginning work in process and 50% complete as to the ending work process. Information as to conversion cost in the Cutting Department for January is as follows:

<table>
<thead>
<tr>
<th>Work in process at January 1</th>
<th>25,000</th>
<th>$22,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units started and costs incurred during January</td>
<td>135,000</td>
<td>143,000</td>
</tr>
<tr>
<td>Units completed and transferred to next department during January</td>
<td>100,000</td>
<td></td>
</tr>
</tbody>
</table>

Required:

1. Compute the conversion cost of the Cutting Department's January 31 work in process inventory using (1) the Average Method and (2) the FIFO Method (Carry unit cost computations to three decimal places).

Q5 (a) Lancaster Co. assembles and sells electric mixers. All parts are purchased, and the cost of the parts per mixer totals $40. Labor is paid on the basis of $32 per mixer assembled. Since the company handles only this one product, the unit cost base for applying factory overhead is used. Estimated factory overhead for the coming period, based on a production of 30,000 mixers, is as follows:

- Indirect materials: $220,000
- Indirect labor: $240,000
- Light and power: $30,000
- Depreciation: $25,000
- Miscellaneous: $55,000

During the period, 29,000 mixers were assembled and actual factory overhead was $559,600. These units were completed but not yet transferred to the finished goods storeroom.

Required:

1) Prepare the journal entries to record the above information.
2) Determine the amount of over- or under-applied factory overhead.

Q5 (b) Normal annual capacity for Maddux Company is 36,000 labor hours, with fixed factory overhead budgeted at $16,920 and an estimated variable factory overhead rate of $2.10 per labor hour. During October, actual production required 2,700 labor hours, with a total overhead of $7,059.

Required:

1) Prepare the applied factory overhead
2) Compute the spending and idle capacity variances.

Q6 (a) The normal capacity of the Assemble Department is 12,000 machine hours per month. At normal capacity, the standard factory overhead rate is $12.50 per machine hour, based on $96,000 of budgeted fixed expenses per month and a variable expense rate of $4.50 per machine hour. During April, the department operated at 12,500 machine hours, with actual factory overhead of $156,000. The number of standard machine hours allowed for the production actually attained is 11,000.

Required:

1) Compute the overall factory overhead variance and analyze it using the two-variance method. Indicate whether the variances are favorable or unfavorable.

Q6 (b) The normal capacity of the Die Cutting Department is 4,500 machine hours per month. At normal capacity, the standard factory overhead rate is $24.80 per machine hour, based on budgeted fixed factory overhead of $85,500 per month and a variable expense rate of $5.80 per machine hour. During July, the department operated at 4,600 machine hours with actual overhead of $121,000. The number of standard machine hours allowed for the production actually attained is 4,200.

Required:

1) Compute the overall factory overhead variances and analyze it using the three-variance method. Indicate whether the variances are favorable or unfavorable.

BEST OF LUCK.
Tint Allowed: 3 Hours
Dated: 12-12-07

Max: Marks: 60

At least any four questions. Each question carries equal marks.

Question # 1 (a) Journal entries for the cost accounting cycle. 5 marks

\[ \begin{array}{c|c|c}
\text{January} 1 & \text{December} 31 \\
\hline
\text{Finished Goods} & 28,000 & 45,000 \\
\text{Work in Process} & 12,000 & 14,000 \\
\text{Materials} & 17,000 & 24,000 \\
\text{Cost of Goods Sold} & 140,000 & \\
\text{Factory Overhead Control} & 25,000 & \\
\hline
\end{array} \]

Required: Recompute the journal entries that recorded the above information in January 19A.

Question # 1 (b) Cost of goods manufactured statement. 5 marks

ABC Company manufactured special machines made to customer specifications. The following information was available at the beginning of October.

<table>
<thead>
<tr>
<th>Material Inventory</th>
<th>Rs.16,200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work in process inventory</td>
<td>3,600</td>
</tr>
<tr>
<td>During October, direct materials costing Rs.20,000 were purchased direct labor cost totaled Rs.16,500 and factory overhead was Rs.4,540 Selling, general and administrative expenses Rs.920.</td>
<td></td>
</tr>
<tr>
<td>Materials inventory</td>
<td>Rs.17,000</td>
</tr>
<tr>
<td>Work in process inventory</td>
<td>7,120</td>
</tr>
</tbody>
</table>

Required: Prepare a cost of goods manufactured statement for October 19A.

Question # 1 (c) 5 marks

Take the cost data from Question # 1 (b) above in this paper.

Required: Compute (1) Prime cost (2) Product cost (3) Conversion cost (4) Period cost (5) Total FOB based on direct labor.

Question # 2 (a) 5 marks

Cost incurred by production department 11F company are as under:

Direct Labor Rs.4,000
Indirect Material Rs.1,100
Indirect Labor 1,000
Miscellaneous expense 1,000
Utilities Charges 490
Depreciation Machine 220
Depreciation Factory 290

Required: Give entries from the above available data to record factory overhead cost, direct labor cost & FOB cost @ 70% of direct labor.

Question # 2 (b) Quantity to order. 5 marks

Glasswater company's production schedule calls for 5,000 units of Material Z for January operations, 4,950 for February, and 5,510 for March. On January 1, the material Z inventory is 5,000 units, with 4,100 on order for January delivery and 5,100 for February delivery. The desired inventory level to begin second-quarter production is 75% of the January 1 inventory. Required: Compute the number of Material Z units to order for March delivery.

Question # 2 (c) Usage forecast and inventory balances. 5 marks

On January 1, a materials analyst is asked to determine the number of units of Material Z to order for March delivery. The production schedule calls for 4,800 units of this material for January operations. 5,000 units for February, and 5,600 units for March. On January 1, the Material Z inventory is 6,000 units. 3,800 units are on order for January delivery. 4,600 units are on order for February delivery. The desired inventory level to begin second-quarter production is 80% of the January 1 inventory. Required:

1. Compute the quantity to order for March delivery.
2. If the planned usage occurs and outstanding orders are received on expected delivery dates, compute the number of units on hand (a) on March 1 and (b) on March 31.
A product called aggregate is manufactured in one department of Jumai Corporation. Materials are added at the beginning of the process. Shrinkage of 10% to 15%, all occurring at the beginning of the process, is considered normal. Labour and factory overhead are added continuously through the process. The following information relates to November production.

**Work in process, Nov 1 (4000 pounds, 75% complete)**
- Materials
  - $2800
- Labor
  - $2650
- Factory overhead
  - $2160

**November costs**
- Materials (FIFO costing)
  - Inventory, Nov 1, 2000 pounds
    - $1000
  - Purchased, Nov 3, 10000 pounds
    - $51000
  - Purchased Nov 18, 10000 pounds
    - $51500
  - Received in production during Nov
    - 16000 pounds
    - $103350
- Labor
  - $103350
- Factory overhead
  - $93340

**Transferred out, 15000 pounds**

**Work in process, Nov 30, 3000 pounds, 33 1/3% complete** (average costing)

**Required:**
Prepare a cost of production report for November.

**Q5:** (a) Sodium expansion estimates factory overhead of $270000 for the next fiscal year. It is estimated that 47500 units will be produced at a material cost of $40000. Conversion will require 29750 direct labor hours at a cost of $9.60 per hour, with 23000 machine hours.

**Required:**
Compute the factory overhead rate that may be used in applying factory overhead to production on each of the following basis:

1. Units of production
2. Material cost
3. Direct labor hours
4. Direct labor cost
5. Machine hours

**Q5:** (b) Normal operating capacity of Naicus Corporation is 150000 machine hours per month, the level used to compute the predetermined factory overhead application rate. At this level of activity, fixed factory overhead is estimated to be $300000 and variable factory overhead is estimated to be $150000. During March, actual production required 140000 machine hours and actual factory overhead totalled $475000.

**Required:**
1. Determine the fixed portion of the factory overhead application rate.
2. Determine the variable portion of the factory overhead application rate.
3. Is factory overhead for March over or under applied and by how much?
4. How much is the spending variance, and it is favorable or unfavorable?
5. How much is the idle capacity variance, and is it favorable or unfavorable?
KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI

Final Examination I Affiliated Colleges

Cost Accounting (BA (P) - 431)
(BBA - 111)

DATE: 11th-2007
TIME ALLOWED: 03 HOURS

MAX. MARKS: 50

Attempt any four questions. Q.1 is compulsory. Show all computations, it will be treated as a part of your answer.

Q.1. Some of the general ledger accounts of the Shamann Manufacturing Company appear as follows on January 31, 20-1. The accounts are incomplete because the accountant had an emergency operation for which he was absent on January 31. The accounts, as well as those of work in progress and the following information on costs and other data of additional information.

<table>
<thead>
<tr>
<th>DIRECT MATERIAL STORES CONTROL</th>
<th>WORK IN-PROCESS CONTROL</th>
<th>FINISHED GOODS CONTROL</th>
<th>COST OF GOODS SOLD</th>
<th>ACQUIRED FACTORY PAYROLL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bal. Jan 1 15,000</td>
<td>Bal. Jan 1 1,000</td>
<td>Bal. Jan 1 10,000</td>
<td></td>
<td>Bal. Jan 1 1,005</td>
</tr>
<tr>
<td>30,000</td>
<td>40,000</td>
<td>20,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct materials</td>
<td>Direct materials</td>
<td>Direct materials</td>
<td></td>
<td>Direct materials</td>
</tr>
<tr>
<td>Requisitions 25,000</td>
<td>Requisitions 25,000</td>
<td>Requisitions 25,000</td>
<td></td>
<td>Requisitions 25,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional information:

a. Factory Overhead Applied is credited for all indirect costs that are applied to production orders.
b. Work in process for the month totaled 5,260 direct labor hours. All factory workers received $4.60 per hour.
c. Indirect costs are applied at a rate of $4.00 per direct labor hour.

Required: Complete the T-Accounts and show:

1) The January 31 balance of Direct Materials Store Control.
2) The amount of total direct labor cost that should have been charged to all the individual work in process accounts on January 31.
3) The total factory-wide cost for the month of January (ignoring employees' Social Security contributions).
4) The total indirect cost that should have been applied to production.
7) Total indirect costs actually incurred during the month amount to $24,000. The balance in Factory Overhead Control at the end of January.
10) The extent of underapplied (or overapplied)
Q.2. The following items pertain to the Eagle Corporation:

FOR YEAR 19-2

<table>
<thead>
<tr>
<th>Item</th>
<th>Dec. 31, 19-2</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work in process, Dec. 31, 19-2</td>
<td>$2,000</td>
<td>Selling and administrative expenses (total)</td>
<td>$70,000</td>
</tr>
<tr>
<td>Finished goods, Dec. 31, 19-1</td>
<td>40,000</td>
<td>Direct materials purchased</td>
<td>80,000</td>
</tr>
<tr>
<td>Accounts receivable, Dec. 31, 19-2</td>
<td>30,000</td>
<td>Direct labor</td>
<td>70,000</td>
</tr>
<tr>
<td>Accounts payable, Dec. 31, 19-1</td>
<td>40,000</td>
<td>Factory supplies</td>
<td>6,000</td>
</tr>
<tr>
<td>Direct materials, Dec. 31, 19-1</td>
<td>30,000</td>
<td>Property taxes on factory</td>
<td>1,000</td>
</tr>
<tr>
<td>Work in progress, Dec. 19-1</td>
<td>10,000</td>
<td>Factory utilities</td>
<td>5,000</td>
</tr>
<tr>
<td>Direct materials, Dec. 31, 19-2</td>
<td>5,000</td>
<td>Indirect labor</td>
<td>20,000</td>
</tr>
<tr>
<td>Finished goods, Dec. 31, 19-2</td>
<td>12,000</td>
<td>Depreciation-plant and equipment</td>
<td>21,000</td>
</tr>
<tr>
<td>Accounts payable, Dec. 31, 19-2</td>
<td>20,000</td>
<td>Sales</td>
<td>350,000</td>
</tr>
<tr>
<td>Accounts receivable, Dec. 31, 19-1</td>
<td>50,000</td>
<td>Miscellaneous factory overhead</td>
<td>10,000</td>
</tr>
</tbody>
</table>

Required:
1. Prepare an income statement and a supporting schedule of cost of goods manufactured and sold.
2. Suppose the, both the direct materials and the depreciation were related to the manufacturing of the equivalent of 105,000 units. What is the unit cost for the direct materials assigned to those units? What is the unit cost of the depreciation? Assume that depreciation is a straight-line fixed cost.

Q.3. The following accounts of a manufacturing company appeared in the balance sheets of December 31, 19-1 and December 31, 19-2:

<table>
<thead>
<tr>
<th>Item</th>
<th>Dec. 31, 19-1</th>
<th>Dec. 31, 19-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials inventory</td>
<td>$10,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>Goods in process inventory</td>
<td>17,500</td>
<td>19,000</td>
</tr>
<tr>
<td>Finished goods inventory</td>
<td>23,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>1,400</td>
<td>1,400</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>120</td>
<td>80</td>
</tr>
</tbody>
</table>

The following amounts appeared in the income statement for 19-2:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials used</td>
<td>$300,000</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>$290,000</td>
</tr>
<tr>
<td>Factory labor</td>
<td>275,000</td>
</tr>
<tr>
<td>Interest income</td>
<td>100</td>
</tr>
</tbody>
</table>

Required: Construct T-Accounts and show:
1. Raw materials purchased in 19-2
2. Direct labor incurred
3. Factory overhead
4. Manufacturing cost
5. Cost of goods manufactured in 19-2
6. Factory labor paid in 19-2
7. Interest received as noted in 19-2.

Q.4. The Dyer Processing Company had work in process at the beginning and end of 19-1 as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Materials</th>
<th>Conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 19-1</td>
<td>50%</td>
<td>10%</td>
</tr>
<tr>
<td>December 31, 19-1</td>
<td>80%</td>
<td>40%</td>
</tr>
</tbody>
</table>

The company completed 40,000 units of finished goods during 19-1. Manufacturing costs incurred during 19-1 were: materials, $242,000; conversion costs, $445,200. Inventory at January 1, 19-1 was carried at a cost of $10,600 (materials, $7,000; conversion costs, $3,600).
Q.5 Prepared by William Cuny: The Hickey company manufactures a product processed through two departments. The process is lengthy, taking two weeks in Department M and ten days in Department S. Miscellaneous data include:

Department M: cost in work in process: $24,000

Department S: cost in work in process: $3,500

Conversion cost added in S: $29,000 (100%)

Department M: units completed and transferred to Department S—40,000 gallons; units in process—10,000 gallons, 40% complete. Department S: units completed and transferred to finished product—32,000; units in process—8,000 gallons, 60% complete.

Required: Complete:

1. Unit cost for December, using FIFO method, carrying units cost to four decimal places.
2. December 31, 19-0, inventory of work in process in Department S.
3. Cost of work completed in December S is December and transferred to finished product.

Q.6 a) The D. Hayes Company manufactures 1,000 units of product C, whose cost per unit is $30 of materials, $20 of labor, and $10 of overhead cost. During the month of May, 1,000 units of product C were spoiled. These units would be sold for 60 cents each.

Required: Prepare the necessary entries under the normal spoilage.

Q.6. b) K Company is totally destroyed by fire last June. However, certain departments of the company records of the following data were recovered: idle capacity working, $1,200 favorable; quality variance, $77 unfavorable, and applied factory overhead, $16,234.

Required: Determine (1) the budget allowance based on capacity utilized, and (2) the actual factory overhead.