

COST Accounting

1). Fixed cost per unit decreases when:

- a. **Production volume increases.**
- b. Production volume decreases.
- c. Variable cost per unit decreases.
- d. Variable cost per unit increases.

2). Prime cost + Factory overhead cost is:

- a. Conversion cost.
- b. **Production cost.**
- c. Total cost.
- d. None of given option.

3). Find the value of purchases if Raw material consumed Rs. 90,000; Opening and closing stock of raw material is Rs. 50,000 and 30,000 respectively.

- a. Rs. 10,000
- b. Rs. 20,000
- c. **Rs. 70,000**
- d. Rs. 1,60,000

4). If Cost of goods sold = Rs. 40,000

GP Margin = 20% of sales

Calculate the Gross profit margin.

- a. Rs. 32,000
- b. Rs. 48,000
- c. Rs. 8,000
- d. **Rs. 10,000**

5). _____ method assumes that the goods received most recently in the stores or produced recently are the first ones to be delivered to the requisitioning department.

- a. FIFO
- b. Weighted average method
- c. Most recent price method
- d. **LIFO**

Fill in the blanks:

(5 x 1)

1). **Indirect** cost that is incurred in producing product or services but which can not traced in full.

2 **Sunk cost** is the cost that incurred or expended in the past which can not be retrieved.

3). Conversion cost = **Direct Labor + FOH**

4). If cost of goods sold Rs. 20,000 and Sales Rs. 50,000 then Gross Markup Rate is **150%**

- 5). Under **Perpetual** system, a complete and continuous record of movement of each inventory item is maintained.
1. Cost of production report is a _____.
- Financial statement
 - Production process report**
 - Order sheet
 - None of given option.
2. There are _____ parts of cost of production report.
- 4
 - 5
 - 6 (6th is concerned with calculation of loss)**
 - 7
3. Which one of the organization follows the cost of production report _____?
- Textile unit**
 - Chartered accountant firm
 - Poultry forming
 - None of the given option.
4. _____ part of cost of production report explains the cost incurred during the process.
- Quantity schedule
 - Cost accounted for as follow
 - Cost charge to the department**
 - None of given option

Solve the question 5 to 7. If units put in the process 7,000, units completed and transfer out 5,000. Units still in process (100% Material, 50% Conversion cost). 500 units were lost. Cost incurred during the process Material and Labor Rs. 50,000 and 60,000.

5. Find the number of units that will appear in quantity schedule
- 5,750
 - 7,000**
 - 5,000
 - 6,500
6. Find the value of per unit cost of both material and conversion cost
- Material 7.69; Conversion cost 10.43**
 - Material 7.14; Conversion cost 10.43
 - Material 7.14; Conversion cost 9.23
 - None of given option

7. Find the value of cost transferred to next department:
- Rs. 57,500

- b. Rs. 50,000
- c. Rs. 70,000
- d. None of given option.**

8. In case of second department find the increase of per unit cost in case of unit lost. Cost received from previous department is Rs. 1,40,000.

- a. 1.43
- b. (2.13)
- c. 1.54**
- d. 1.67

9. Opening work in process inventory can be calculated under

- a. FIFO and Average costing**
- b. LIFO and Average costing
- c. FIFO and LIFO costing
- d. None of given option

10. _____ needs further processing to improve its marketability.

- a. By product**
- b. Joint Product
- c. Augmented product
- d. None of the given option

1. Jan 1; finished goods inventory of Manuel Company was \$3, 00,000. During the year Manuel's cost of goods sold was \$19, 00,000, sales were \$2, 000,000 with a 20% gross profit. Calculate cost assigned to the December 31; finished goods inventory.

- a. \$ 4,00,000
- b. \$ 6,00,000
- c. \$ 16,00,000
- d. None of given options**

2. The main purpose of cost accounting is to:

- a. Maximize profits.
- b. Help in inventory valuation
- c. Provide information to management for decision making**
- d. Aid in the fixation of selling price

3. The combination of direct material and direct labor is

- a. Total production Cost
- b. Prime Cost**
- c. Conversion Cost
- d. Total manufacturing Cost

4. The cost expended in the past that cannot be retrieved on product or service

- a. Relevant Cost
- b. Sunk Cost**
- c. Product Cost
- d. Irrelevant Cost

5. When a manufacturing process requires mostly human labor and there are widely varying wage rates among workers, what is probably the most appropriate basis of applying factory costs to work in process?
- Machine hours
 - Cost of materials used
 - Direct labor hours**
 - Direct labor dollars
6. A typical factory overhead cost is:
- distribution
 - internal audit
 - compensation of plant manager**
 - design
7. An industry that would most likely use process costing procedures is:
- tires**
 - home construction
 - printing
 - aircraft
 -

8. Complete the following table

	Per unit	Total
Fixed cost	Increase	Constant
Variable cost		
Total cost	Increase	Decrease

- Constant, Decrease**
- Decrease, Decrease
- Increase, Increase
- Increase, Decrease

9. The Kennedy Corporation uses Raw Material Z in a manufacturing process. Information as to balances on hand, purchases and requisitions of Raw Material Z is given below:

Jan. 1	Balance:	200	lbs.	@	\$1.50
08			Received	500 lbs.	@ \$1.55
18				Issued	100 lbs.
25	Issued	260			lbs.
30	Received	150	lbs.	@	\$1.60

If a perpetual inventory record of Raw Material Z is maintained on a FIFO basis, it will show a month end inventory of:

- \$240
 - \$784
 - \$759
 - \$767**
10. A disadvantage of an hourly wage plan is that it:

- a. **Provides no incentive for employees to achieve and maintain a high level of production.**
- b. ¹Is hardly ever used and is difficult to apply.
- c. Establishes a definite rate per hour for each employee.
- d. Encourages employees to sacrifice quality in order to maximize earnings.

Find out correct option from given MCQs & put your answer in above table:

1. A manufacturing company manufactures a product which passes through two departments. 10,000 units were put in process. 9,400 units were completed & transferred to department-II. 400 units (1/2 complete) were in process at the end of month. Remaining 200 units were lost during processing. Costs incurred by the department were as follows:

Particulars Rs.

Direct Materials 19,400

Direct Labor 24,250

Factory overhead 14,550

Apportionment of the Accumulated Cost/Total Cost accounted for, for the month in CPR

- a. Rs. 24,250 Approximately
- b. Rs. 56,987 Approximately
- c. **Rs. 58,200 Approximately**
- d. None of the given options

MCQ # 2 and 3 are based on the following data:

Allied chemical company reported the following production data for its department:

Particulars Units

Received in from department -1 55,000

Transferred out department -3 39,500

In process (1/3 labor & overhead) 10,500

All materials were put in process in Department No. 1. Costing department collected following figures for department No. 2: Particulars Rs.

Unit cost received in 1.80, Labor cost in department No.2 27,520.

Applied overhead in Department No. 2 15,480

2. Equivalent units of labor & FOH are _____

- a. 3,500 units
- b. 39,500 units
- c. **43,000 units**
- d. None of the given options

3. Unit cost of lost unit after adjustment (by using any method) _____

- a. Rs. 0.64
- b. Rs. 0.36
- c. Rs. 0.18**
- d. None of the given options

MCQ # 4, 5 and 6 are based on the following data:

In Department No. 315 normal production losses are discovered at the end of process. During January 2007 following costs were charged to Department 315:

Particulars Rs.

Direct Materials 30,000

Direct Labor 20,000

Manufacturing overhead 10,000

Cost from preceding department 96,000

Data of production quantities is as follows:

Particulars Units

Received in 12,000

Transferred out 7,000

Normal Production Loss 1,000

Partly processed units in Department No. 315 were completed 50%.

4. Cost of normal loss (where normal loss is discovered at the end of process) _____:

- a. Rs. 14,000**
- b. Rs. 44,000
- c. Rs. 1, 12,000
- d. None of the given options

5. Equivalent units of material _____

- a. 2,000 units
- b. 7,000 units
- c. 10,000 units**
- d. None of the given options

6. Unit cost of Direct Labor _____

- a. Rs. 1
- b. Rs. 2**
- c. Rs. 3
- d. None of the given options

7. During January, Assembling department received 60,000 units from preceding department at a unit cost of Rs. 3.54. Costs added in the assembly department were:

Particulars Rs.

Materials 41,650

Labor 101,700

Factory overheads 56,500

There was no work in process beginning inventory.

Particulars Units

Units from preceding department 60,000

Units transferred out 50,000

Units in process at the end of month

(all materials, 2/3 converted)

9,000 Units lost (1/2 completed as to materials & conversion cost) 1,000

The entire loss is considered abnormal & is to be charged to factory overhead.

Equivalent units of material _____

a. 9,000 units

b. 56,500 units

c. 59,500 units

d. None of the given options

8. For which one of the following industry would you recommend a Job Order Costing system?

a. Oil Refining

b. Grain dealing

c. Beverage production

d. Law Cases

9. For which one of the following industry would you recommend a Process Costing system?

a. Grain dealer

b. Television repair shop

c. Law office

d. Auditor

10. The difference between total revenues and total variable costs is known as:

a. Contribution margin

b. Gross margin

c. Operating income

d. Fixed costs

11. Percentage of Margin of Safety can be calculated in which one of the following ways?

a. Based on budgeted Sales

b. Using budget profit

c. Using profit & Contribution ratio

d. All of the given options

12. Which of the following represents a CVP equation?

a. Sales = Contribution margin (Rs.) + Fixed expenses + Profits

b. Sales = Contribution margin ratio + Fixed expenses + Profits

c. Sales = Variable expenses + Fixed expenses + profits

d. Sales = Variable expenses – Fixed expenses + profits

13. If 120 units produced, 100 units were sold @ Rs. 200 per unit. Variable cost related to production & selling is Rs. 150 per unit and fixed cost is Rs. 5,000. If the management wants to decrease sales price by 10%, what will be the effect of decreasing unit sales price on profitability of company? (Cost & volume profit analysis keep in your mind while solving it)

- a. Remains constant
- b. Profits will increased
- c. Company will have to face losses**
- d. None of the given options

14. If 120 units produced, 100 units were sold @ Rs. 200 per unit. Variable cost related to production & selling is Rs. 150 per unit and fixed cost is Rs. 5,000. If the management wants to increase sales price by 10%, what will be increasing sales profit of company by increasing unit sales price. (Cost & volume profit analysis keep in your mind while solving it)

- a. Rs.2,000**
- b. Rs. 5,000
- c. Rs. 7,000
- d. None of the given options

MCQ # 15, 16, 17 and 18 are based on the following data:

The following is the Corporation's Income Statement for last month:

Particulars	Rs.
Sales	4,000,000
Less: variable expenses	2,800,000
Contribution margin	1,200,000
Less: fixed expenses	720,000
Net income	480,000

The company has no beginning or ending inventories. A total of 80,000 units were produced and sold last month.

15. What is the company's contribution margin ratio?

- a. 30%**
- b. 70%
- c. 150%
- d. None of given options

16. What is the company's break-even in units?

- a. 48,000 units**
- b. 72,000 units
- c. 80,000 units
- d. None of the given options

17. How many units would the company have to sell to attain target profits of Rs. 600,000?

- a. 88,000 units**
- b. 100,000 units
- c. 106,668 units
- d. None of given options

18. What is the company's margin of safety in Rs?

- a. Rs. 480,000
- b. Rs. 1,600,000**
- c. Rs. 2,400,000
- d. None of given options

19. Which of the following statement(s) is (are) true?

- a. A manufacturer of ink cartridges would ordinarily use process costing rather than job-order costing
- b. If a company uses a process costing system it accumulates costs by processing department rather than by job
- c. The output of a processing department must be homogeneous in order to use process costing
- d. All of the given options**

20. Which of the following statements is (are) true?

- a. Companies that produce many different products or services are more likely to use job-order costing systems than process costing systems**
- b. Job-order costing systems are used by manufactures only and process costing systems are used by service firms only
- c. Job-order costing systems are used by service firms and process costing systems are used by manufacturers
- d. All of the given options

21. Product cost is normally:

- a. Higher in Absorption costing than Marginal costing**
- b. Higher in Marginal costing than Absorption costing
- c. Equal in both Absorption and Marginal costing
- d. None of the given options

22. Using absorption costing, unit cost of product includes which of the following combination of costs?

- a. Direct materials, direct labor and fixed overhead
- b. Direct materials, direct labor and variable overhead
- c. Direct materials, direct labor, variable overhead and fixed overhead**
- d. Only direct materials and direct labor

23. Marginal costing is also known as:

- a. Indirect costing
- b. Direct costing
- c. Variable costing
- d. Both (b) and (c)**

MCQ # 24 & 25 are based on the following data:

The following data related to production of ABC Company:

Units produced 1,000 units
Direct materials Rs.6
Direct labor Rs.10
Fixed overhead Rs.6000

Variable overhead Rs.6

Fixed selling and administrative Rs.2000

Variable selling and administrative Rs.2

24. Using the data given above, what will be the unit product cost under absorption costing?

- a. Rs. 22
- b. Rs. 28**
- c. Rs. 30
- d. None of the given options

25. Using the data given above, what will be the unit product cost under marginal costing?

- a. Rs. 22**
- b. Rs. 24
- c. Rs. 28
- d. None of the given options

26. The break-even point is the point where:

- a. Total sales revenue equals total expenses (variable and fixed)
- b. Total contribution margin equals total fixed expenses
- c. Total sales revenue equals to variable expenses only
- d. Both a & b**

27. The break-even point in units is calculated using_____

- a. Fixed expenses and the contribution margin ratio
- b. Variable expenses and the contribution margin ratio
- c. Fixed expenses and the unit contribution margin**
- d. Variable expenses and the unit contribution margin

28. The margin of safety can be defined as:

- a. The excess of budgeted or actual sales over budgeted or actual variable expenses
- b. The excess of budgeted or actual sales over budgeted or actual fixed expenses
- c. The excess of budgeted sales over the break-even volume of sales**
- d. The excess of budgeted net income over actual net income

29. The contribution margin ratio is calculated by using which one of the given formula?

- a. $(\text{Sales} - \text{Fixed Expenses}) / \text{Sales}$
- b. $(\text{Sales} - \text{Variable Expenses}) / \text{Sales}$**
- c. $(\text{Sales} - \text{Total Expenses}) / \text{Sales}$
- d. None of the given options

30. Data of a company XYZ is given below

Particulars Rs.

Sales 15,00,000

Variable cost 9,00,000

Fixed Cost 4,00,000

Break Even Sales in Rs. _____

- a. Rs. 1, 00,000

b. Rs. 2, 00,000

c. Rs. 13, 00,000

d. None of the given options

1. Mr. Zahid received Rs. 100,000 at the time of retirement. He has invested in a profitable Avenue. From Company A, he received the dividend of 35% and from Company B he received the dividend of 25%. He has selected Company A for investment. His opportunity cost will be:

a) 35,000

b) 25,000

c) 10,000

d) 55,000

2. In increasing production volume situation, the behavior of Fixed cost & Variable cost will be:

a) Increases, constant

b) Constant, increases

c) Increases, decreases

d) Decreases, increases

3. While calculating the finished goods ending inventory, what would be the formula to calculate per unit cost?

a) Cost of goods sold / number of units sold

b) Cost of goods to be manufactured / number of units manufactured

c) Cost of goods manufactured / number of units manufactured

d) Total manufacturing cost / number of units manufactured

4. If the direct labor is Rs. 42,000 and FOH is 40% of conversion cost. What will be the amount of FOH?

a) 63,000

b) 30,000

c) 28,000

d) 16,800

5. Which one of the following centers is responsible to earns sales revenue?

a) Cost center

b) Investment center

c) Revenue center

d) Profit center

6. Which one of the following cost would not be termed as Product Costs?

a) Indirect Material

b) Direct Labor

c) Administrative Salaries

d) Plant supervisor's Salary

7. Which of the following ratios expressed that how many times the inventory is turning over towards the cost of goods sold?

a) Inventory backup ratio

b) Inventory turnover ratio

c) Inventory holding period

d) Both A & B

8. When opening and closing inventories are compared, if ending inventory is more than opening inventory, it means that:

- a) **Increase in inventory**
- b) Decrease in inventory
- c) Both a and b
- d) None of the given options

9. The total labor cost incurred by a manufacturing entity includes which one of the following elements?

- a) Direct labor cost
- b) Indirect labor cost
- c) Abnormal labor cost
- d) **All of the given options**

10. If,

Opening stock	1,000 units
Material Purchase	7,000 units
Closing Stock	500 units
Material consumed	Rs. 7,500

What will be the inventory turnover ratio?

- a) **10 Times**
- b) 12 times
- c) 14.5 times
- d) 9.5 times

Cost & Management Accounting (mgt402)
Special Semester 2007

Solution to Quiz 02

(Total Marks 1 x 15 = 15)

Find out correct option from given MCQs & put your answer in above table:

1. A manufacturing company manufactures a product which passes through two departments. 10,000 units were put in process. 9,400 units were completed & transferred to department-II. 400 units (1/2 complete) were in process at the end of month. Remaining 200 units were lost during processing. Costs incurred by the department were as follows:

Particulars Rs.
Direct Materials 19,400
Direct Labor 24,250
Factory overhead 14,550

Equivalent units of material, for the month in CPR _____

- a. 200 units
- b. 9400 units
- c. 9600 units**
- d. None of the given options

MCQ # 2 and 3 are based on the following data:

Allied chemical company reported the following production data for its department:

Particulars Units
Received in from department -1 55,000
Transferred out department -3 39,500
In process (1/3 labor & overhead) 10,500

All materials were put in process in Department No. 1. Costing department collected following figures for department No. 2:

Particulars Rs.
Unit cost received in 1.80
Labor cost in department No.2 27,520
Applied overhead in Department No. 2 15,480

2. Equivalent units of Material are _____

- a. 3,500 units
 - b. 39,500 units
 - c. 43,000 units**
 - d. None of the given options
- Cost & Management Accounting (mgt402)
Solution to Quiz 02
Special Semester 2007

3. Unit cost used for transferred out _____

- a. Rs. 0.64
- b. Rs. 0.36
- c. Rs. 0.18
- d. None of the given options**

4. During January, Assembling department received 60,000 units from preceding department at a unit cost of Rs. 3.54. Costs added in the assembly department were:

Particulars Rs.
Materials 41,650
Labor 101,700
Factory overheads 56,500

There was no work in process beginning inventory.

Particulars Units
Units from preceding department 60,000
Units transferred out 50,000
Units in process at the end of month
(all materials, 2/3 converted)
9,000
Units lost (1/2 completed as to materials & conversion cost) 1,000

The entire loss is considered abnormal & is to be charged to factory overhead.

Cost transferred to next department _____

- a. Rs. 55,703.3 App.
- b. Rs. 356,546.6 App.**
- c. Rs. 412,249.9 App.
- d. None of the given options

MCQ # 5, 6, 7 and 8 are based on the following data:

The following is the Corporation's Income Statement for last month:

Particulars	Rs.
Sales	4,000,000
Less: variable expenses	1,800,000
Contribution margin	2,200,000
Less: fixed expenses	720,000
Net income	1,480,000

Cost & Management Accounting (mgt402)
Solution to Quiz 02
Special Semester 2007

The company has no beginning or ending inventories. A total of 80,000 units were produced and sold last month.

5. What is the company's contribution margin ratio?

- a. 30%
- b. 50%**
- c. 150%
- d. None of given options

6. What is the company's break-even in units?

- a. 48,000 units
- b. 72,000 units
- c. 80,000 units
- d. None of the given options**

7. How many units would the company have to sell to attain target profits of Rs.600,000?

- a. 48,000 units**
- b. 88,000 units
- c. 106,668 units
- d. None of given options

8. What is the company's margin of safety in Rs?

- a. Rs. 1,600,000
- b. Rs. 2,400,000
- c. Rs. 25,60,000**
- d. None of given options

MCQ # 9 & 10 are based on the following data:

The following data related to production of ABC Company:

Units produced 2,000 units

Direct materials Rs.6

Direct labor Rs.10

Fixed overhead Rs.20,000

Variable overhead Rs.6 Cost & Management Accounting (mgt402)
Solution to Quiz 02

Special Semester 2007

Fixed selling and administrative Rs.2000

Variable selling and administrative Rs.2

9. Using the data given above, what will be the unit product cost under absorption costing?

a. Rs. 32

b. Rs. 30

c. Rs. 25

d. None of the given options

10. Using the data given above, what will be the unit product cost under marginal costing?

a. Rs. 22

b. Rs. 24

c. Rs. 28

d. None of the given options

11. Mr. Zahid received Rs. 100,000 at the time of retirement. He has invested in a profitable Avenue. From Company A, he received the dividend of 35% and from Company B he received the dividend of 25%. He has selected Company A for investment. His opportunity cost will be:

a) 35,000

b) 25,000

c) 10,000

d) 55,000

12. In increasing production volume situation, the behavior of Fixed cost & Variable cost will be:

e) Increases, constant

f) Constant, increases

g) Increases, decreases

h) Decreases, increases

13. While calculating the finished goods ending inventory, what would be the formula to calculate per unit cost?

e) Cost of goods sold / number of units sold

f) Cost of goods to be manufactured / number of units manufactured

g) Cost of goods manufactured / number of units manufactured

h) Total manufacturing cost / number of units manufactured

14. If the direct labor is Rs. 42,000 and FOH is 40% of conversion cost. What will be the amount of FOH?

- e) 63,000
- f) 30,000
- g) 28,000**
- h) 16,800

15. Which one of the following centers is responsible to earn sales revenue?

- e) Cost center
- f) Investment center
- g) Revenue center**
- h) Profit center

16. While preparing the Cost of Goods Sold and Income Statement, the over applied FOH is;

- e) Add back, subtracted
- f) Subtracted, add back**
- g) Add back, add back
- h) Subtracted, subtracted

17. Which of the following ratios expressed that how many times the inventory is turning over towards the cost of goods sold?

- e) Net profit ratio
- f) Gross profit ratio
- g) Inventory turnover ratio**
- h) Inventory holding period

18. When opening and closing inventories are compared, if ending inventory is more than opening inventory, it means that:

- e) Increase in inventory**
- f) Decrease in inventory
- g) Both a and b
- h) None of the given options

19. The total labor cost incurred by a manufacturing entity includes which one of the following elements:

- e) Direct labor cost
- f) Indirect labor cost
- g) Abnormal labor cost
- h) All of the given options**

20. If,

Opening stock	1,000 units
Material Purchase	7,000 units
Closing Stock	500 units
Material consumed	Rs. 7,500

What will be the inventory turnover ratio?

- e) 10 Times**
- f) 12 times
- g) 14.5 times
- h) 9.5 times

1. If Units sold = 10,000

Closing finished goods = 2,000

Opening finished goods = 1,500

What will be the value of units manufactured?

- a. 9,500
- b. 10,500**
- c. 13,500
- d. 6,500

2. Calculate the amount of direct labor if:

Direct material = 15,000

Direct labor = 70% of prime cost

- a. 6,429
- b. 30,000
- c. 10,500
- d. 35,000

3. Material cost = 4.00 per unit
Labor cost = 0.60 per unit
Factory overhead cost = 1.00 per unit
Administrative cost = 1.20 per unit
Selling cost = 15% of sales
Profit = 1.02 per unit
What will be the sales price per unit?

- a. 6.0
- b. 9.2
- c. 7.0
- d. None of the given option

4. ABC & Company has maintained the following data of inventory control Under the periodic inventory system:

Date	Units	Total
Jan 01	100 @ 10	1000
Jan 05	100 @ 11	1100
Jan 10	150 @ 12	1600

During the period 300 units were sold. Calculate the cost of ending inventory under FIFO method.

- a. 600
- b. 500
- c. 400
- d. 300

5. National chains of tyre fitters stock a popular tyre for which the following information is available:

Average usage = 140 tyres per day

Minimum usage = 90 tyres per day

Maximum usage = 175 tyres per day

Lead time = 10 to 16 days

Re-order quantity = 3000 tyres

Based on the above data calculate the maximum level of stock possible:

- a. 2800
- b. 3000
- c. 4900
- d. 5800

Fill in the blanks:

1. Irrelevant costs are those costs that would not affect the current management decision.

2. Increase in inventory means closing inventory is **greater** than the opening inventory.
 3. Weighted average cost is used to determine the value of cost of consumption and **ending inventory**.
 4. The total amount earned in a week or month by an employee is called **gross pay**.
 5. The method of remuneration in which a worker is paid on the basis of production and not time taken by him to perform the work is called **piece rate wage**.
1. A cost that remains unchanged across the relevant range of units produced is what kind of cost?
 - a) **Fixed cost**
 - b) Product cost
 - c) Mixed cost
 - d) Period cost
 2. A company has the following cost data for the month:
Conversion cost: Rs. 78,900
Prime Cost: Rs. 115,700
Beginning Work in Process Inventory: Rs. 4,700
Ending Work in Process Inventory: Rs. 2,800
Beginning Finished Goods Inventory: Rs. 27,600
Ending Finished Goods Inventory: Rs. 29,200
Manufacturing Overhead Costs: Rs. 14,500

What is the Cost of Goods Sold for the month?
 - a) Rs. 132,100
 - b) Rs. 116,000
 - c) Rs. 130,200
 - d) **Rs. 130,500**
 3. _____ is a part of cost of production report that explains the cost incurred during the process.
 - a) Quantity schedule
 - b) Cost accounted for as follow
 - c) **Cost charged to the department**
 - d) None of the given options
 4. Under Absorption Costing, Fixed Manufacturing Overheads are:
 - a) Absorbed into Cost units
 - b) Charged to the Profit and Loss account
 - c) Treated as period cost
 - d) **All of the given options**
 5. A company makes one product, which has variable manufacturing costs of Rs.3.25 per unit and variable selling and administrative costs of Rs. 1.17 per unit. Fixed manufacturing costs are Rs. 42,300 per month and fixed selling and administrative costs are Rs. 29,900 per month. The company wants to earn an average monthly profit of Rs. 15,000 and they expect to produce and sell an average of 40,000 units of the product per month. What is the minimum selling price management can be expected to set to meet their profitability goals?

- a) Rs. 4.69
- b) Rs. 4.42
- c) Rs. 6.60**
- d) Rs. 6.23

Question 6 to 8 will be based on the data given below:

Units put in the process 7,000

Units completed and transferred out 5,000

Units still in process (100% Material, 50% Conversion cost)

500 units were lost during process

Cost incurred during the process Material and Labor Rs. 50,000 and Rs. 60,000.

6. By using the above information, find out the number of units that will appear in quantity schedule.

- a) 5,750
- b) 7,000**
- c) 5,000
- d) 6,500

7. Find out the value of per unit cost of both material and conversion cost.

- a) Material 7.69; Conversion cost 10.43**
- b) Material 7.14; Conversion cost 10.43
- c) Material 7.14; Conversion cost 9.23
- d) None of the given options

8. Find the value of cost transferred to next department:

- a) Rs. 5750
- b) Rs. 5000
- c) Rs. 7000
- d) Rs. 6500 or None of the given options**

9. Opening work in process inventory can be calculated under which of the following method?

- a) FIFO and Average costing**
- b) LIFO and Average costing
- c) FIFO and LIFO costing
- d) None of given options

10. _____ needs further processing to improve its marketability.

- a) By product**
- b) Joint Product
- c) Augmented product
- d) None of the given options

1) The contribution margin increases when sales volume and price remain the same and:

- a) Variable cost per unit decreases**
- b) Variable cost per unit increases
- c) Fixed costs per unit increase
- d) All of the given options

2) The main difference between the incremental and marginal cost is that:

- a) **The marginal cost changes for every next unit of production**
- b) Incremental cost does not show any change for any level of activity
- c) The marginal cost changes for a certain level of activity
- d) There is no difference between marginal cost and incremental cost

3) An example of an inventoriable cost would be:

- a) Shipping fees
- b) Advertising flyers
- c) Sales commissions
- d) **Direct materials**

4) Service entities provide services of _____ to their customers.

- a) Tangible products
- b) **Intangible products**
- c) Both tangible and intangible products
- d) Services can not be intangible

5) T Corp. had net income before taxes of Rs. 200,000 and sales of Rs. 2,000,000. If it is in the 50% tax bracket, its profit margin would be:

- a) **5%**
- b) 12%
- c) 20%
- d) 25%

6) Direct materials cost is Rs. 80,000. Direct labor cost is Rs. 60,000. Factory overhead is Rs. 90,000. Beginning goods in process were Rs. 15,000. The cost of goods manufactured is Rs. 245,000. What is the cost assigned to the ending goods in process?

- a) Rs. 45,000
- b) Rs. 15,000
- c) Rs. 30,000
- d) **There will be no ending Inventory**

7) A firm had Rs. 200,000 in sales, Rs. 120,000 of goods available for sale, an ending finished goods inventory of Rs. 20,000. Selling and Administrative expenses are Rs. 55,000. Which of the following is true?

- a) Net income was 22.5% of sales
- b) The cost of goods sold was Rs. 100,000
- c) The gross profit was Rs. 100,000
- d) **All of the given options**

8) A complete set of Financial Statements for Hanery Company, at December 31, 1999, would include each of the following, EXCEPT:

- a) Balance sheet as of December 31, 1999
- b) Income statement for the year ended December 31, 1999
- c) **Statement of projected cash flows for 2000**
- d) Notes containing additional information that is useful in interpreting the Financial Statements

9) The FIFO inventory costing method (when using under perpetual inventory system) assumes that the cost of the earliest units purchased

<http://vustudents.ning.com>
is allocated in which of the following ways?

- a) First to be allocated to the ending inventory
- b) Last to be allocated to the cost of goods sold
- c) Last to be allocated to the ending inventory
- d) First to be allocated to the cost of good sold**

10) Heavenly Interiors had beginning merchandise inventory of Rs. 75,000. It made purchases of Rs. 160,000 and recorded sales of Rs. 220,000 during November. Its estimated gross profit on sales was 30%. On November 30, the store was destroyed by fire. What was the value of the merchandise inventory loss?

- a) Rs. 154,000
- b) Rs. 160,000
- c) Rs. 235,000
- d) Rs. 81,000**

11) Inventory control aims at:

- a) Achieving optimization
- b) Ensuring against market fluctuations
- c) Acceptable customer service at low capital investment**
- d) Discounts allowed in bulk purchase

12) Which of the following is a factor that should be taken into account for fixing re-order level?

- a) Average consumption
- b) Economic Order Quantity**
- c) Emergency lead time
- d) Danger level

13) EOQ is a point where:

- a) Ordering cost is equal to carrying cost**
- b) Ordering cost is higher than carrying cost
- c) Ordering cost is lesser than the carrying cost
- d) Total cost should be maximum

14) Inventory of Rs. 96,000 was purchased during the year. The cost of goods sold was Rs. 90,000 and the ending inventory was Rs. 18,000. What was the inventory turnover ratio for the year?

- a) 5.0
- b) 5.3
- c) 6.0**
- d) 6.4

15) While deducting Income Tax from the gross pay of the employee, the employer acts as a (an) _____ for Income Tax Department.

- a) Agent of his own Company
- b) Paid tax collection agent
- c) Unpaid tax collection agent**
- d) None of the given options

16) A standard rate is paid to the employee when he completed his job:

- a) In time less than the standard
- b) In standard time
- c) In time more than standard
- d) Both In standard time or more than the standard time**

17) Reduction of labor turnover, accidents, spoilage, waste and absenteeism are the results of which of the following wage plan?

- a) Piece rate plan
- b) Time rate plan
- c) Differential plan
- d) Group bonus system**

18) Grumpy & Dopey Ltd estimated that during the year 75,000 machine hours would be used and it has been using an overhead absorption rate of Rs. 6.40 per machine hour in its machining department. During the year the overhead expenditure amounted to Rs. 472,560 and 72,600 machine hours were used. Which one of the following statements is correct?

- a) Overhead was under-absorbed by Rs.7,440**
- b) Overhead was under-absorbed by Rs.7,920
- c) Overhead was over-absorbed by Rs.7,440
- d) Overhead was over-absorbed by Rs.7,920

19) When loss of time due to unavoidable interruptions is deducted from theoretical capacity the remainder is:

- a) Normal capacity
- b) Practical capacity**
- c) Expected capacity
- d) All of the given options

20) A business always absorbs its overheads on labor hours. In the 8th period, 18,000 hours were worked, actual overheads were Rs. 279,000 and there was Rs. 36,000 over-absorption. The overhead absorption rate per hours was:

- a) Rs. 15.50
- b) Rs. 17.50**
- c) Rs. 18.00
- d) Rs. 13.50

1) If computational and record-keeping costs are about the same under both FIFO and weighted average, which of the following method will generally be preferred?

- a) Weighted Average
- b) FIFO**
- c) They offer the same degree of information
- d) Cannot be determined with so little information

2) Which of the following is the best definition of a by-product?

- a) A by-product is a product arising from a process where the wastage rate is higher than a defined level
- b) A by-product is a product arising from a process where the sales value is insignificant by comparison with that of the main product or products**
- c) A by-product is a product arising from a process where the wastage rate is unpredictable
- d) A by-product is a product arising from a process where the sales value is significant by comparison with that of the main product or products

3) When two products are manufactured during a common process, the factor that determine whether the products are joint product or one main product and one is by product is the:

- a) Potential marketability for each product
- b) Amount of work expended in the production of each product
- c) Relative total sales value of each product**
- d) Management policy

4) Good Job Plc makes one product which sells for Rs. 80 per unit. Fixed costs are Rs. 28,000 per month and marginal costs are Rs. 42 a unit. What sales level in units will provide a profit of Rs. 10,000?

- a) 350 units
- b) 667 units
- c) 1,000 units**
- d) 1,350 units

5) Hyde Park Company produces sprockets that are used in wheels. Each sprocket sells for Rs. 50 and the company sells approximately 400,000 sprockets each year. Unit cost data for the year follows:

Direct material Rs. 15
Direct labor Rs. 10
Other costs:
Manufacturing
Distribution
Fixed
Rs. 5
Rs. 4
Variable
Rs. 7
Rs. 3

The unit cost of sprockets for direct cost inventory purposes is:

- a. Rs. 44
- b. Rs. 37
- c. Rs. 32**
- d. Rs. 35

6) Janet sells a product for Rs.6.25. The variable costs are Rs.3.75. Janet's break-even units are 35,000. What is the amount of fixed costs?

- a) Rs. 87,500**

- b) Rs. 35,000
- c) Rs.131,250
- d) Rs. 104,750

7) A firm, which makes yachts, has fixed costs of Rs. 260,000 per month. The product sells for Rs. 35,000 per boat, and the variable costs of production are Rs. 15,000 per boat. The boatyard can manufacture 20 boats each month. What is the firms' margin of safety at the moment?

- a) 20%
- b) 35%**
- c) 54%
- d) 57%

8) Which of the following is not one of the requirements of the general principles of budgeting?

- a. Responsibility for forecasting costs must be clearly defined
- b. Changes are not to be made just because more favorable results are foreseeable**
- c. Accountability for actual results must be enforced
- d. Goals must be realistic and possible to attain

9) If B Limited shows required production of 120 cases of product for the month, direct labor per case is 3 hours at Rs. 12 per hour. Budgeted labor costs for the month should be:

- a) 360 hours
- b) Rs. 1,440
- c) Rs. 4,320**
- d) Rs. 5,346

10) Which of the following is not an explanation for rising profit levels at the same time as a cash shortage?

- a) Rapid expansion sales and output
- b) Repayment of loan
- c) Purchase of new premises
- d) Disposal of fixed assets for profit**

(Question 2-a) (10 x 1=10)

From the following information calculate the Maximum stock level, Minimum stock level, Re-ordering level and Danger stock level;-

- | | |
|-------------------------|-------------------|
| (a) Average consumption | 300 units per day |
| (b) Maximum consumption | 400 units per day |
| (c) Minimum consumption | 200 units per day |
| (d) Re-order quantity | 3,600 units |

- (e) Re-order period 10 to 15 days
(f) Emergency Re-order period 13 days
(1.25x4=5)

Solution:

$$\begin{aligned}\text{Order Level} &= \text{Maximum Consumption} \times \text{Lead Time (maximum)} \\ &= 400 \times 15 = 6,000\end{aligned}$$

$$\begin{aligned}\text{Maximum level} &= \text{Order level} - (\text{Minimum consumption} \times \text{Lead time}) + \text{EOQ} \\ &= 6,000 - (200 \times 10) + 3,600 = 7,600\end{aligned}$$

$$\begin{aligned}\text{Minimum Level} &= \text{Order level} - (\text{Average consumption} \times \text{lead time}) \\ &= 6,000 - (300 \times 12.5) = 2,250\end{aligned}$$

$$\begin{aligned}\text{Danger Level} &= \text{Average consumption} \times \text{Emergency time} \\ &= 300 \times 13 = 3,900\end{aligned}$$

(Question 2-b)

Following data are available with respect to a certain material.

Annual requirement	1200 units
Cost to place an order	Rs 3.00
Annual interest rate	5%
Per unit cost.	Rs 5.00
Annual carrying cost per unit	Rs 0.25

Required:

- (1) Economic order quantity
- (2) Number of orders per year
- (3) Frequency of orders

(2+1.5+1.5=5)

Solution:

$$\begin{aligned}(1) \quad \text{EOQ} &= (2 \times 1200 \times 3 / 0.25 + 5\% \text{ of } 5)^{1/2} \\ &= 120 \text{ units}\end{aligned}$$

$$\begin{aligned}(2) \quad \text{No of order} &= \text{Annual order} / \text{order size} \\ &= 1200 / 120 \\ &= 10\end{aligned}$$

$$\begin{aligned}(3) \quad \text{Frequency of orders} &= \text{No of days in a year} / \text{No of order} \\ &= 360 / 10 \\ &= 36 \text{ days}\end{aligned}$$

Solution

**(a) GOGO Manufacturing Company
Income Statement
For the period ended June 30, 2006.**

Descriptions	Rs.	Rs.	Rs.
Sales			250000
Less: <u>Cost of Goods Sold</u>			
Opening Inventory of Raw Material	10000		
Add: purchases	150000		
Cost of material available for used	160000		
Less: Closing inventory of Raw Material	20000		
Cost of Material Used/Consumed		140000	
Add: Direct Labour Cost		20000	
Prime Cost		160000	
Add: Factory overhead applied($20000 \times 50 / 100$)		10000	
Total Factory Cost/ Cost of Manufacturing		170000	
Add: Opening Inventory of W.I.P.		10000	
Total Cost put into process		180000	
Less Closing Inventory of W.I.P.		20000	
Cost of Goods Manufactured (at normal)		160000	
Add: Opening Inventory of Finished Goods		10000	
Cost of goods available for sale		170000	
Less: Ending Inventory of Finished Goods		20000	
Cost of Goods Sold (At Normal)		150000	
Add: Under applied FOH		789	
Cost of Goods Sold (At Actual)			150789
Gross Profit			99,211
<u>Less: Operating Expenses</u>			
Selling Expenses		5000	
Administrative expenses		4000	9000
Net Income			90,211

Calculation of under or over applied FOH

Applied FOH		10000
-------------	--	-------

<u>Actual FOH</u>		
Power, heat and light	2500	
Indirect material consumed	2500	
Depreciation of plant	3000	
Indirect labor	2000	
Other manufacturing expenses	1000	11000
Under applied FOH		1000

Under applied F.O.H. at entire production method		
Work in process (Closing inventory)	Finished goods (Closing inventory)	C.G.S.
20,000	20,000	150,000
2	2	15
	2+2+15=19	
Work in process (Closing inventory)	Finished goods (Closing inventory)	C.G.S.
$\frac{1,000 \times 2}{19}$	$\frac{1,000 \times 2}{19}$	$\frac{1,000 \times 15}{19}$
105	105	789

(b) Gross margin ratio = Gross profit / sales x 100 = 99,211 / 2,50,000 = 39.68%

Gross markup ratio = Gross profit / COGS x 100 = 99,211 / 1,50,789 = 65.79%

Q1. S.P Johns Corporation is a manufacturing concern. Following is the receipts & issues record for the month of January, 2006.

<u>Date</u>	<u>Receipts</u>	<u>Issues</u>
Jan 1	Opening Balance 100@ 40	
Jan 8	200 units @ Rs. 45/unit	
Jan 11		150 units
Jan 13	Inventory lost 50 units	
Jan 16	50 units @ Rs. 60/unit	
Jan 18	100 units @ Rs. 70/unit	
Jan 20		150 units

Required: Find the value of ending inventory by preparing Material Ledger card under Perpetual and Periodic inventory system based on the above information using each of the following methods:

DATE	RECEIPTS			ISSUES			BALANCE		

	Qty	Rate	Amount	Qty	Rate	Amount	Qty	Rate	Amount
Jan 1	100	40	4,000				100	40	4,000
Jan 8	200	45	9,000				100	40	4,000
							200	45	9,000
Jan 11				100	40	4,000			
				50	45	2,250	150	45	6750
Jan 13				50	45	2,250	100	45	4,500
Jan 16	50	60	3,000				100	45	4,500
							50	60	3,000
Jan 18	100	70	7,000				100	45	4,500
							50	60	3,000
							100	70	7,000
Jan 20				100	45	4500	100	70	7,000
				50	60	3,000			
			7,000			7,500			7,000
DATE	RECEIPTS			ISSUES			BALANCE		
	Qty	Rate	Amount	Qty	Rate	Amount	Qty	Rate	Amount
Jan 1	100	40	4,000				100	40	4,000
Jan 8	200	45	9,000				300	43.33	13,000
Jan 11				150	43.33	6500.5	150	43.33	6500.5
Jan 13				50	43.33	2166.5	100	43.34	4334
Jan 16	50	60	3,000				150	49	7334
Jan 18	100	70	7,000				250	57.3	14,334
Jan 20				150	57.3	8595	100	57.39	5739
									5739

Solution - Assignment 3

Cost & Management Accounting

(i) Over applied / Under applied

Actual FOH	Rs. 2,00,000
Less Applied FOH	2,25,000
Over applied	25,000

(ii) Capacity Variance

Applied/ Absorbed factory overhead	Rs. 2,25,000
Less Budgeted factory overhead for capacity attained	2,05,000
Favorable	<u>20,000</u>

(iii) Budget Variance

Budgeted factory overhead for capacity attained	Rs. 2,05,000
Less Actual factory overhead	<u>2,00,000</u>

Applied FOH

Applied FOH x Actual hours

$1,80,000 / 20,000 \times 25,000 = 2,25,000$

Budgeted FOH for capacity attain

Fixed FOH	Rs. 80,000
Variable FOH	$1,00,000 / 20,000 \times 25,000 = 1,25,000$
	<div>2,05,000</div>

Solution Assignment - 4

JV Company
Income statement -Direct costing
For the year ending, 19A

Rs.	Rs.
Sales (80,000 units @7.00)	560,000
Direct material (100,000 units @1.50)	150,000
Direct labor (100,000 units @1.00)	100,000
Variable FOH (100,000 units@0.50)	<u>50,000</u>
Variable cost of goods manufactured	300,000
Beginning inventory	-----
Variable cost of goods available for sale	300,000
Ending inventory (20,000 units @3.00)	<u>(60,000)</u>
Variable cost of goods sold	<u>(240,000)</u>
Gross contribution margin	320,000
Variable marketing and admin expenses	
(80,000 units @0.50)	(40,000)
Contribution margin	280,000
Less fixed expenses:	
Factory Overhead	150,000
Marketing and admin expenses	<u>80,000</u>
Total fixed expenses	<u>(230,000)</u>
Operating income	<u>50,000</u>

Requirement # 1

Unit cost of the finished goods inventory, December 31:

Per unit Cost=Cost of Goods Manufactured (W-1) ÷ Units Manufactured (W-2)

Rs.706, 600 ÷ 4000 units

= Rs.176.65

Requirement # 2

Total Cost of the Finished Goods Inventory, December 31

Units in Finished Goods Inventory x Unit Cost ([Requirement 01](#))

420 Units x Rs.176.65

= **Rs.74, 193**

Requirement # 3

Cost of Goods Sold:

Cost of Goods Manufactured (Working -1)	Rs.706, 600
Add: Opening Finished Goods Inventory	48,600

Cost of goods available for sale	Rs.755,200
Less: Closing Finished Goods Inventory	74,193

Cost of Goods Sold	Rs.681, 007

Requirement #4

Gross Profit Total and the Gross Profit Per Unit:

Sales (3880 units x Rs.220)	Rs.853, 600
Less: Cost of Goods Sold	Rs.681, 007

Gross Profit	Rs.172, 593

$$\begin{aligned} \text{Gross Profit per Unit} &= \text{Gross Profit} \div \text{Units Sold} \\ \text{Gross Profit per Unit} &= \text{Rs.172, 593} \div 3880 \text{ units} = \text{Rs.44.483} \end{aligned}$$

WORKING NOTES:

(W-1)

Cost of Goods Manufactured:

Direct Materials:

Opening Material Inventory		Rs.34, 200
Add: Material Purchased	364,000	
Add: Freight in	8,600	

	372,600	
Less: Purchases Discount	5,200	

Net Purchases		367,400

Materials available for use		401,600
Less: Closing Material Inventory		49,300

Direct Material Used		
Rs.352, 300		

Direct Labour

Rs.162, 500

Factory Overhead:

Depreciation – Factory Equipment	21,350	
Indirect Labour	83,400	
Misc. Factory Overhead	47,900	

Total Factory Overhead		
Rs.152, 650		-----

Total Current Manufacturing Cost		
Rs.667, 450		
Add: Opening work in process inventory		
81,500		

Cost of goods available for manufacturing		
Rs.748, 950		
Less: Closing work in process inventory		
42,350		

<i>Cost of Goods Manufactured</i>		
<i>Rs.706, 600</i>		

W-2

Units Manufactured:

Units Sold	3880	
Add: Units in Closing Finished Goods Inventory	420	

Total Units to be accounted for	4300	
Less: Units in Opening Finished Goods Inventory	300	

<i>Units Manufactured</i>	<i>4000</i>	

JV Company
Income statement –Absorption costing
For the year ending, 19A

	Rs.	Rs.	Rs.
Sales (80,000 units @7.00)			560,000
Direct material (100,000 units@1.50)	150,000		
Direct labor (100,000 units@1.00)	100,000		
Variable FOH (100,000 units@0.50)	50,000		
Fixed FOH	150,000		
Cost of goods manufactured		450,000	
Beginning inventory		-----	
Cost of goods available for sale		450,000	
Ending inventory (20,000 units@4.50)		(90,000)	
Cost of goods sold at actual			(360,000)
Gross profit			200,000
Marketing and admin expenses:			
Fixed Marketing and Admin expenses		80,000	
Variable Marketing and Admin expenses			
(80,000 units @0.50)		40,000	
			(120,000)
Operating income			80,000

Segregation of Fixed and Variable cost is as follow:

Variable Cost	Fixed Cost
19,600	4900
3731	1599
1080	120
-----	55,000
1250	11250
-----	50000
2000	-----
2254	960
4500	-----
5600	1400
5500	-----
3150	3150
48665	128385

- a). Cost includes both fixed and variable cost. Variable cost varies with the level of production. So variable cost will be different at cost and at break even point.
- b). Break even sales / Sales price per unit = 2,11,333 / 800 = 264 students
- c). Fixed cost / *Contribution margin ratio = 1,28,385 / 1- 48,665 / 1,24,000 = 1,28,385 / 0.6075
= Rs. 2,11,333
- d). Fixed cost + Desired Profit / *Contribution margin per unit = 1,28,385 + 25000 / 800 - * 314
= 315 students

e). Sales - B.E (S) / Sales x 100 = $1,24,000 - 2,11,333 / 1,24,000 \times 100 = (70.43)$

*Contribution Margin Ratio = $1 - \text{Variable cost} / \text{Sales}$

*Contribution Margin per unit = Sales price per unit - Variable cost per unit

*Variable cost per unit = $48,665 / 155 = \text{Rs. } 313$

1. UNITS MANUFACTURED DURING YEAR:

	Units
Units sold during year	8,000
Add: Ending finished goods units	2,000
Less: Opening finished goods units	1,800
Units manufactured during year	8,200

2. Complete The Foreman's Estimate Of The Cost Of Work In Process

Proportion of FOH from direct labor = $(16,000 / 20,000) \times 100 = 80\%$

Value of FOH for Work in process ending Inventory = $1,000 \times 80\% = \text{Rs. } 800$

Calculation for Work in Process ending Inventory:

Direct material cost	Rs. 2,700
Direct Labor cost	Rs. 1,000
FOH	Rs. 800
Work in Process Ending Inventory	Rs. 4,500

3. PREPARE A MANUFACTURING STATEMENT FOR THE YEAR

Particulars	Amount (Rs.)
Direct material	30,000
Direct Labor	20,000
FOH	16,000
Total manufacturing cost	66,000

Solution:

Date	Receipts		Value of Stock	Average Cost.
7-Nov	200 units @ Rs. 150/unit		200 x 150 = 30,000	30,000 / 200 =
9-Nov	--	75 x 150 = 11,250	30,000 - 11,250 = 18,750	18,750 / 125 =
13-Nov	150 units @ Rs. 100/unit		15,000 + 18,750 = 33,750	33,750 / 275 =
15-Nov	100 units @ Rs. 175/unit		33,750 + 17,500 = 51,250	51,250 / 375 =
18-Nov	--	250 x 136.7 = 34,175	51,250 - 34,175 = 17,075	17,075 / 125 =
20-		100 x 136.6 =	17,075 - 3,415 =	3,415 / 25 =

Nov		13,660	13,660 =	
22-Nov	300 units @ Rs.125/unit		37,500 + 3,415 = 40,915	40,915 / 325 =
24-Nov	--	300 x 125.9 = 37,770	40,915 - 37,770 = 3,145	3,145 / 25 =
27-Nov	200 units @ Rs. 150/unit		3,145 + 30,000 = 33,145	33,145 / 225 =
30-Nov	--	125 x 147.3 = 18,412.5	33,145 - 18,412 = 14,733	14,733 / 100 =

Value of Closing stock=14,733

Question # 02
05)

(Marks:

The ABC Company provides the following information:

Estimated requirements for next year: 2400 units
 Per unit Cost: Rs. 1.50
 Ordering Cost (per order): Rs. 20
 Carrying Cost: 10%

From the above information you are required to calculate:

- (a) Economic Order Quantity**
(b) Prove your answer

Solution

$$EOQ = (2 \times AR \times OC / C)$$

$$= (2 \times 2400 \times 20 / 10\% \text{ OF } 1.5)^{1/2}$$

$$= 800 \text{ UNITS}$$

(b) Average order Qty= order Qty/2

Order qty	Required Units	No of orders	Total ordering cost	Total carrying cost	Total cost
600	2400	4	80	45	125
800	2400	3	60	60	120
1000	2400	2	40	75	115