

Question 1: Write down the components of financial statements w.r.t IASB's framework.

Answer:

The framework deals with:

The objective of financial statements.

The objective of the financial statements is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions.

Question 2: 50,000 units were received from preceding department, 9,000 units were still in process at the end of month (complete all material, 75% Labour & FOH). 500 lost units were 60% complete as to material and conversion costs. This loss is considered as abnormal and is to be charged to factory overhead.

Required: You are required to calculate equivalent units of material, labour and factory overhead.

Units received from preceding dept. = 50,000

Material = 40500 + 9000 + 300

Labor + FOH = 40500 + 6750 + 300

Question 3: Ali Company estimates its factory overhead for the next period at Rs. 64,000. It is estimated that 30,000 units will be produced at material cost of Rs. 65,000. Production will require 25,000 direct labor hours at an estimated cost of Rs. 130,000. The machine will run about 18,000 hours.

Required: the predetermined factory overhead rate based on:

Units of production

Direct labor hours

Machine hours

Direct labour cost

Material cost

Question 4: Barley Ltd produces a certain food item in a manufacturing process. On 1st November there was no opening stock in process. During November, 700 units of material were put in to process, with a cost of Rs, 20,000. Direct labor cost in November was Rs.15; 000. production overhead is absorbed at the rate of 300% of direct labor costs. Closing stock on 30th November consisted of 200 units which were 100% completed as to materials and 80% completed as to labor and over head.

Required: Calculate the quantity of units completed and transfer-out

Question 5:

Corporation submits the following data for September 1998:

Direct labor cost Rs. 30,000

Cost of goods sold Rs. 111,000 (Before adjusting for over or under applied overhead)

Factory overhead is applied at the rate of 150% of direct labor cost. Over or under applied factory overhead is charged to the cost of goods sold account. Inventory accounts showed these beginning and ending balances as follows: