Question 1: The higher rate of labor turnover results in increased cost of production. Discuss the Effect of Labor Turnover.

Question 2: The Mars Company applies factory overheads to production by means of pre-determined rate based on expected actual capacity. Factory overhead at expected actual capacity of 120,000 hours is Rs. 240,000 of which Rs. 60,000 is fixed and Rs.180,000 is variable. Normal capacity of the company is 150,000 hours. The actual capacity attained during the year was 100,000 hours and actual factory overhead was Rs. 180,000.
Calculate: Pre-determined overhead rate based on expected actual capacity and normal capacity.
O

1. ver-applied or under-applied factory overhead based on rate used by the company.
2. Budget variance and volume variance

Answer:
Pre-determined overhead rate based on expected actual capacity
Fixed FOH rate = fixed FOH cost/ expected actual capacity = 60000/120000 = 0.50
Add variable FOH rate = Variable FOH cost for expected actual capacity/ expected actual capacity = 180000/120000 = + 1.50
FOH applied rate based on expected actual capacity 2.00
Pre-determined overhead rate based on normal capacity
Fixed FOH rate = fixed FOH cost/ normal capacity =60000/150000 = 0.40
Add variable FOH rate = +1.50
Pre-determined overhead rate based on normal capacity = 1.90

Question 3: Transferred out 22,000 units and units lost at beginning of production 500. Units in process at end of period 2,500 units which were complete as to materials, 1/2 complete as to labor and factory overhead
Required: Compute Equivalent Production of Material, Labour and FOH

Question 4: Units transferred out to next department 20,000 units. Units lost at beginning of production 500 units. Units in process 2,500 units which were complete as to materials, 1/2 complete as to labor and factory overhead.
Required: Prepare the Quantity Schedule

Question 5:

Units transferred to next department	40,000
Units still in process (all material, 2/3 labour & FO H)	8,000
Abnormal loss (1/2 complete as to material, Labour and FOH)	1,000

Following costs were added during the process.

Materials	Rs.40,500
Labour	101,700
Factory overhead	50,500

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

Question 6: What is the justification of spreading the cost of lost units over the remaining goods units?