# National University of Computer and Emerging Lahore Campus

- 10. A business purchased two river-making machines on 1 January 2020 at a cost of \$1\$ 000 each. Each had an estimated life of five years and a nil residual value. The straight line method of depreciation is used. Owing to an unforeseen slump in market demand for rivets, the business decided to reduce its output of rivets, and switch to making other products instead. On 31 March 2022, one rivet-making machine was sold (on credit) to a buyer for \$8, X00. Later in the year, however, it was decided to abandon production of rivets altogether, and the second machine was sold on 1 December 2022 for \$2, X00 cash.
  - a) Prepare the machinery account, depreciation of machinery account and disposal of machinery account for the accounting year to 31 December 2022. (4 marks)

Machines Bon B/d 30000 31 much 2022 Accumulated deficuation

30

31 much Disposed 6750 13cm old 12000

31 Dec Disposed 8750 31 Dec 3500 15500 3000 + 3000 + 2028 (11 montes) Page 3 of 3 Fall 2024 8750 12

1		0.1	11	n Lund		-
31 march 2022	Machinary Account	THE THE PARTY OF	1 1	Machinery In Alk Ace defo cash	8500	1
1 Dec	Machany	15000	1 pa	cash	2500	
				Acedep	8750	
			ype		3500	
		30000			30000	

An inventory record card shows the following details. [3 marks]

## February

- 50 units in stock at a cost of \$40 per unit
- 7 100 units purchased at a cost of \$45 per unit
- 14 80 units sold

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21	50	units	purch	hased	at a	cost	of \$50	per ur	iii

28 60 units sold

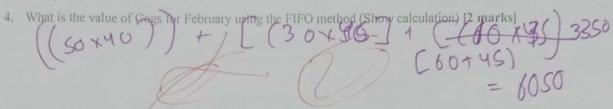
What is the value of inventory	at 28 February us	sing the FIFO method?	(Show calculation)
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a) \$2,450

b) \$2,700

© \$2,950

d) \$3,000



5. A firm has the following transactions with its product R.

1 January 2024 Opening inventory: nil

1 February 2024 Buys 10 units at \$300 per unit

11 February 2024 Buys 12 units at \$250 per unit

1 April 2024 Sells 8 units at \$400 per unit

1 August 2024 Buys 6 units at \$200 per unit

1 December 2024 Sells 12 units at \$400 per unit

The firm uses periodic weighted average cost (AVCO) to value its inventory.

What is the value of inventory? (Show calculation) [2 marks]

6. What is the COGS? (Show calculation) [2 marks]

7. Also draw up the trading account for the year showing the gross profits [2 marks]

8. An item of inventory was purchased for \$10. However, due to a fall in demand, its selling price will be only \$8. In addition, further costs will be incurred prior to sale of \$1. What is the NRV? [3 marks]

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c. work in progress

- 5. A company spends \$5X0 on raw materials, \$3X0 on direct labour, and \$200 on advertising. What is the total product cost? [2 Marks] 1040 is the total product cost
- 6. A company manufactures 1,000 units of a product in one month. The following costs were incurred:

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- Raw Materials: \$4,X00 4,200
- Direct Labour: \$3,000 3000 -
- Factory Rent: \$2,X00 2200 -
- Factory Insurance: \$5X0 S20
- Office Rent: \$1,200 \ \ 200
- Sales Commission: \$1,000 1000
- Advertising: \$8X0
- Machine Purchase Price: \$10,000 \0,000
- Installation Cost (for machine): \$1,000 1000

#### Required:

- (a) Calculate the total product cost. [2 Marks]
- (b) Calculate the total period cost. [2 Marks]
- (c) What is the historical cost of the machine? [2 Marks]

7. A company produces 500 units in a month.

Costs:

- Direct material = \$5/unit
- Direct labour = \$3/unit
- Variable production overhead = \$2/unit
- Fixed production overhead = \$1,000 total per month.

#### Required:

Find cost per unit under Marginal Costing. [2 Marks]

Find cost per unit under Absorption Costing. [2 Marks]

8. Each unit requires 3 kg of material.

- 3000 • Planned production = 1,000 units
- Material opening stock = 500 kg

15000 2100

Material closing stock = 700 kg

How much material should be purchased? [2 Marks]

of material es required.

9. A company budgeted material cost at \$6 per unit for 1,000 units. Actual material cost was \$6,500. What is the variance? [3 Marks]

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