IQRA National University

Paper	**Cost Accounting**
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Quantity and equivalent production schedules, Adjustment for lost units. Lot-came laboratories produce, an antibiotic product in its three producing departments. The following quantitative and cost data have been made available:

Required:

1. **A quantity schedule for each of the three departments.**

DEPARTMENTS

	BLENDING	TESTING	TERMINAL
Units started in process	8000kg		
Units received from preceding department		5300kg	3250kg
Units transferred to next department	5300	3250	
Units transferred to finished goods storeroom			1900
Units still in process	2400	1700	900
Units lost in process	300	350	450
	8000	5300	3250

2. **An equivalent production schedule for each of the three departments.**

EQUIVALENT PRODUCTION SCHEDULE

	BLENDING		TESTING		TERMINAL	
	DEPARTMENT		DEPARTMENT		DEPARTMENT	
	Materials	Labor and Factory overhead	Prior dept. and materials.	Labor and factory overhead	Prior dept. and materials.	Labor and factory overhead
Transferred out	5300	5300	3250	3250	1900	1900
Units still in process	2400	1600	1700	1275	900	600
	7700	6900	4950	4525	2800	2500

3. **The unit cost of FOH in the terminal department:**

$$\frac{\text{Factory overhead}}{\text{Factory overhead units}} = \frac{\$5000}{2500}$$

$$= \$2$$

4. The lost unit cost in the testing department, if the unit cost transferred in from the blending department is $5.00.

$5.00 x $5300 = $26500 cost transferred in from blending department.

$$\frac{\$26500}{5300 - 350} = \$5.353 \text{ new cost}$$

$5.353 new unit cost
$5.00 old unit cost
$0.353 lost unit cost.

Q. No 2:   What is job order costing? with example.

Job Order Costing

Job order costing is use to determine the cost of manufacturing each product. This costing method is usually adopted. When the manufacturer produces a verity of products which are different from one another and needs to calculate the cost for doing in individual job.

Job order costing includes

1. Direct material
2. Direct labour
3. Factory overhead

Example:

A. Manufacturing business that use job order costing system includes clothing factories, food companies, air craft manufacturing Etc.
B. Services Business that use job order costing system include movie producers according firms, law firms, hospital etc.

Applications of job costing:

1. Auto-mobile industry
2. Construction industry
3. Machine tool industry
4. General engineering workshop
5. Public accounting firm

Features of job costing:

1. Production is general against customer order.
2. Unique characteristics & treatment.

3. Each job is treated as cost unit.
4. Work in progress differ from each job.

Objectives:

1. Find out the cost and profit of each job.
2. Helps in estimation of cost in similar jobs.
3. Helps in valuation of work in process.

Q. No 3: Briefly define LIFO and FIFO? explain with examples.

LIFO and are cost layering methods uses to value the cost of good sold and ending inventory.

LIFO: (Last in First Out)

LIFO is a contraction of the term "last in first out" its mean that the goods last edit the inventory is assume to be the first goods removed from inventory for sales.

Example:

The LIFO method assumes that the most recants product edit a company's inventory have been sold first. The new stuff is used up first, taking priority over old stock.

FIFO: (First in First Out)

FiFO is a contraction of the term "First in First Our" and means that the goods cost edit to inventory are assume to be the first goods removed from inventory sales.

Example:

100 items where purchased for $10 and 100 more items where purchased for $15. FIFO wood assign the cost of the first item resolder $10. After 100 items were sold, the new cost of the item wood became $15, regardless of any additional inventory purchased made.