# *IQRA NATIONAL UNIVERSITY*

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**Question 1**

**Inventory**

Inventory is a quantity of goods owned and stored by a business that is intended either for resale or as raw materials and components used in producing goods that the business sells.

**For example**

If we take the example of plastic manufacturing company they have warehouse in which they keep their inventory like chemical, color all of these thing later used in manufacturing of plastic.

**Question 2**

**Planning**

The planning is what to do, when to do, how to do it. To achieve anything we first make a plan that how will or what will be the ways through which we will achieve that certain goal without planning you will not achieve things effectively.

**Controlling**

In controlling we look after our task that we are doing it according to plan or not does our work reach the standard of demand, we do controlling to make sure that things are on the right path. Controlling measures the deviation of actual performance from the standard performance and takes corrective actions.

**Question 3**

**Factory overhead**

Estimated factory overhead is total cost involved in operating all production facilities of a manufacturing business that cannot be traced directly to a product. It is generally applies to indirect labor and indirect cost.

**Example**

Factory expenses like rent, rates, insurance, water, heat, electricity or other energy costs other maintenance charges like cleaning, servicing repairing etc.

**Applied overhead**

Applied overhead is fixed rate charged to a specific production job or department within a company. It cannot be directly assigned to a cost object such as rent administrative staff compensation and insurance.

**Question 4**

**Ruthven Company**

**Cost of goods old statement**

**Month ended, may**

**Material**

Beginning material 8000

Purchase 36000

Material available for use 44000

Ending material 8000

**Total material consumed**  36000

**Direct labor** 15000

**Factory overhead** 2/3 0f d/l 10000

Total manufacturing cost 61000

**Work in process**

Beginning work in process 8000

Ending work in process 15000

Cost of goods manufactured 54000

**Finished goods**

Beginning finished goods 7000

Ending finished goods 10200

**Cost of goods sold 50800**

**Ruthven Company**

**Income statement**

**Month ended, may**

Sales 72000

C.G.C 50800

Gross profit 21200

Marketing expense 3600

Administrative expense 720

Other expense 3600

Net income 13280

**How I solved that**

Well we have done a practice question in our class regarding cost of goods sold statement in which we learn about what are beginning and ending materials and what are direct labor etc. so keeping in mind all those thing and the way teacher taught us by that I have done that question.

**Beginning material**

It is a kind of material which a Company has in the start of the year.

**Ending material**

These are those materials which Company has in the end of the year.

**Purchases**

Purchases are those things which company need during the year and purchase them.

**Direct labor**

Those labor which are directly involved in the production process.

**Factory overhead**

Those expenses which are not directly involved in the production process.