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DATE; JUNE 26 2020

1/ A quantity schedule for each of the three departments, i.e.

Blinding Department	Units received from department	8000 kg	
	Units transferred to finished goods	5300	1900
	Units still in process (^{100%} materials, ^{2/3} Labour and OH, 1/3 conversion)		2400

Testing Department	Units received from department	5300 kg	
	Units Transferred to finished goods	1900 kg	
	Units still in process		3400 kg

Terminal Department	Units received from department	3250	
	Units Transferred to finished goods	1900	
			1350

2/ An equivalent production schedule for each of the three departments:

- Equivalent units for each cost components under FIFO method are calculated using more variables than the previous example.

- Equivalent units for each cost components =

$$(100\% - A) \times B + C + D \times E$$

where,

A = Percentage of completion at the end of last period — 90%

B = Units in opening work in process — 2400

C = Units added/started and transferred out — 5300

D = Percentage of completion of units in closing work in process — 100%

E = Units in closing work in process — 5300

$$\text{Formula} = (100\% - A) \times B + C + D \times E$$

$$= (1 - .9) \times 2400 + 5300 + 1 \times 5300$$

$$= .1 \times 2400 + 5300 + 5300$$

$$= 240 + 5300 + 5300$$

$$= \boxed{10840}$$

(Defiant 1)

Department 2:

- A = 90%
- B = 3250
- C = 0
- D = 100%
- E = 1700

Now put in formula
 $\rightarrow (100\% - A) \times B + C + D \times E$
 $\rightarrow (100\% - 90\%) \times 3250 + 0 + 100\% \times 1700$
 $\rightarrow 10\% \times 3250 + 0 + 1 \times 1700$
 $\rightarrow \boxed{2025}$

Department 3:

- A = 90%
- B = 3250
- C = 1500
- D = 100%
- E = 900

Now put in formula
 $\rightarrow (100\% - A) \times B + C + D \times E$
 $\rightarrow (100\% - 90\%) \times 3250 + 1500 + 1 \times 900$
 $\rightarrow 10\% \times 3250 + 1500 + 900$
 $\rightarrow \boxed{2315 \text{ Ans}}$

3: The Unit cost of FOH in the terminal department.

cost Accounted for as follows:

A - cost of units completed and Transferred out	=	53000 x 2.98	=	15,794
B - work in process closing inventory	=	2400 x 1.98	=	4752
C - cost charged by department 1	=	80000 x 10	=	800
				<hr/>
Material	=	22,670 x 0	=	22,670
Labour	=	11,160 x 0.64	=	7142
FOH	=	5,600 x 0.36	=	2016
				<hr/>
				31,828

$31828 + 21346 = \boxed{53174}$

3/

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

➤ Additional calculation:

Equivalent production report.

Units completed and transferred out

Units lost in process

Units still in process

Equivalent production

Material	Labour	Over
11,500	12,020	5000
500		
Material	Labour	Over
8,980	5,016	2,290
22,670	2000	1200
	1700	1700
31,650	6716	3990
+ 5.00	+ 5.00	+ 5.00
31655	6721	3995

Now add the unit cost
transferred amount which is
from blending department
5.00

These are the unit cost.

Thank you

Q2: what is job order costing? Explain with example.

ANS; Job order costing;

Is generally used by companies that manufacture a number of different products. It is a widely used costing system in manufacturing as well as service industries.

Manufacturing companies using job order costing system usually receive orders for customized products and services. These customized orders are known as *jobs* or *groups*. A clothing factory, for example, may receive an order for men shirts with particular size, color, and design.

When companies accept orders or jobs for different products, the assignment of cost to products becomes a problematic task. In these situations, the cost record for each individual job is kept because each job have a different product and, therefore, different cost related with it.

The per unit cost of a particular job is computed by dividing the total cost allocated to that job by the number of units in the job. The per unit cost formula is given below:

Per unit cost = Total cost applicable to job / Number of units in the job

Examples of manufacturing businesses that use job order costing system consist of clothing factories, food companies, air craft manufacturing companies etc.

Examples of service businesses that use job order costing system consist of movie producers, accounting firms, law firms, hospitals etc.

Q3: Briefly define LIFO and FIFO? Explain with examples;

ANS;

FIFO and LIFO are methods used in the cost of goods sold calculation.

FIFO (First-In, First-Out) assumes that the oldest products in a company's

Inventory has been sold first and goes by those production costs. The

LIFO (Last-In, First-Out) method assumes that the most recent products

In a company's inventory have been sold first and uses those costs instead.

FIFO and LIFO Examples

We are going to use one company as an example to determine calculating the cost of goods sold with both FIFO and LIFO methods.

Ted's Televisions is a business in New York City. Ted has been in operation now for a year. This is what his inventory costs look like:

<u>Month</u>	<u>Amount</u>	<u>Price Paid</u>
January	100 Units	\$800.00
February	100 Units	\$800.00
March	100 Units	\$825.00
April	100 Units	\$825.00
May	100 Units	\$825.00
June	100 Units	\$850.00
July	100 Units	\$850.00
August	150 Units	\$875.00
September	150 Units	\$875.00
October	150 Units	\$900.00
November	150 Units	\$900.00
December	150 Units	\$900.00

1450 units acquired.
Units = Televisions.

As you can see, the unit price of televisions gradually increased. Assuming Ted kept his sales prices the same (which he did, in order to stay competitive) this means there was less profit for Ted's Televisions by the end of the year.

For the year, the number of televisions sold was 1100.

Let's calculate cost of goods sold using the:

FIFO METHOD

Going by the FIFO method, Ted needs to use the older costs of obtaining his inventory and work ahead from there.

So Ted's COGS calculation is as follows:

200 units x \$800 = \$160,000
300 units x \$825 = \$247,500
200 units x \$850 = \$170,000
300 units x \$875 = \$262,500
100 units x \$900 = \$90,000

Ted's cost of goods sold is \$930,000.

LIFO method

Going by the LIFO method, Ted needs to go by his most new inventory costs first and work in reverse from there.

450 units x 900 = \$405,000
300 units x 875 = \$262,500
200 units x 850 = \$170,000
150 units x \$825 = \$125,750

Ted's cost of goods sold is \$961,250.

You can see how for Ted, the LIFO method may be more smart than FIFO. This is because the LIFO number reveals a higher inventory cost, meaning less profit and less taxes to pay at tax time.

The LIFO reserve in this example is \$31,250. The LIFO reserve is the amount by which a company's taxable income has been postponed, as compared to the FIFO method.

The remaining unsold 350 televisions will be accounted for in "inventory".

