ID 16543

Ibrahim Sheikh Muhammad

QUESTION 1:

Answer

In general sense it means stock of goods available or held for sale in the ordinary course of buisness

In business sense it imcludes raw material stored in warehouse ,Work in progress in production and finished goods available for sale.

QUESTION 2:

PLANNING AND CONTROL:

ANSWER

|  |  |
| --- | --- |
| PLANNING | CONTROL |
| Planning is deciding in advance that what to do and how to do it. | Controlling measures the deviation of actual performance from the standard performance. |
| The main objectives of planning is to set the goals and target. | The main objective of control is to make sure that the target must be achieved as per the plans. |
| It is the starting/initial point of management. | It follows all the functions of management. |
| Planning will never come to an end till the organization exists. | It is a process which starts once the actual target is achieved. |
|  |  |
|  |  |
|  |  |

QUESTION 3:

ESTIMATED FACTORY OVERHEAD AND APPLIED FACTORY OVERHEAD:

ANSWER

**ESTIMATED FACTORY OVERHEAD:**

It is a total cost involved in operating all production facilities of a manufacturing business that cannot be traced directly to a product. Generally, it applies to indirect labor and indirect.

EXAMPLE

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

**APPLIED FACTORY 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 Part 1

COST OF GOODS SOLD STATEMENT:

**STATEMENT OF GOODS SOLD**

**RUTHVEN COMPANY**

**FOR THE MONTH ENDED MAY**

**MATERIAL**

Beginning raw material $8000

Add purchases $36000

Raw material available for use $44000

Less ending material ($8000)

**TOTAL MATERIAL CONSUMED**  $36000

**Add direct labor** $15000

**Add factory overhead** (×15000) $10000

Total manufacturing cost $61000

**WORK IN PROCESS**

Add beginning work in process $8000

Less ending working process $15000

Cost of good manufactured $54000

**FINISHED GOODS**

Add beginning finished goods $7000

Cost of goods available for sale $61000

Less ending finished goods $10200

**Cost of goods sold $50800**

PART B

**RUTHVEN COMPANY**

**INCOME STATEMENT**

**FOR THE END OF MONTH MAY**

SALES $72000

Less cost of goods sold $50800

Gross profit $21200

Less expenses

Marketing expenses (72000 × 5%) $3600

Administrative expenses (72000 × 1%) $720

Other expenses (72000 × 5%) $3600

Less total expenses $7920

**Net profit $13280**

I solved this problem by making cost of goods statement.We have material in it.In it we have beginning material and then which we have purchased and finally which we have consumed and left behind.Then I have added direct Labour and factory overheadcost.Then I have added work in progress and finally finished goods.