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 Paper : Cost accounting

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**Q1:**  **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**, motherboards warehoused at a computer company to be used in the assembling of its computer systems are **inventory**.

**Q2:** **Planning** is deciding in advance what to do, how to do, when to do it and who is to do it. **Controlling** measures the deviation of actual performance from the standard performance and takes corrective actions. 2. The main objective is to ensure that the targets must be achieved as per the **plans**.

**Q3:**

**Estimated factory overhead:**

Estimated factory overhead is the 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 building depreciation cost of good changes from season to season or month to month, then company apply estimated factory overhead.

**Applied factory overhead:** Applied overhead is the amount of the manufacturing overhead that is assigned to the goods produced. This is usually done by using a predetermined annual overhead rate. Applied overhead is fixed rate charged to a specific production job or department within a company. It cannot be directly to a cost object such as rent administrative staff compensation and insurance.

**Q4:**

Ruthven Company

Cost of goods sold statement

Month, ended, may

1: Material

Beginning Material *$*8000

Purchase *$*36000

* Material available for use *$*44000

Ending material consumed (*$*8000)

* Total material consumed *$*36000

2: Direct labor *$*5000

3: Factory overhead, $^{2}/\_{3}of direct labor$ *$*10000

* Total manufacturing cost *$*61000

4: Work in process

 Beginning work in process *$*8000

 Ending work in process (*$*15000)

* Cost of goods manufactured *$*54000

5: Finished goods

 Beginning finished goods *$*7000

 Ending finished goods (*$*10200)

* Cost of goods sold ***$*50800**

 **Part 2**

**Ruthven Company**

**Income statement**

**Month ended, May**

Sales *$* 72000

C.G.S (*$* 50800)

* Gross profit *$* 21200

Marketing expense (*$* 3600)

Administrative expense (*$* 720)

Other expense (*$* 3600)

Net income *$* 13280

Marketing expense =5% of sales

 $^{5}/\_{100}×72000$

 = *$*3600

Administrative expense 1% of Sales

 $^{1}/\_{100}×72000$

 = *$* 720

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