

PROBLEM 30

[BBA (Professional)]

A factory produced and sold 1000 units of a product in the month of July, 2011 for which the following particulars are available

Stock of raw materials on 1st July

Purchase and receipt of raw materials during the month of June

Direct wages paid in cash in June (which included Tk. 3,000 on account of June and Tk. 2,000 advance for August)

Works overhead charges for the month

Stock of raw materials on 31 July

Administration and selling overheads Tk. 25 per unit Sale price Tk. 300 per unit

(a) From the above particulars you are required to prepare a statement of cost for the month of July, 2011

(b) Estimate the sales price of a unit of the same product in August, 2012 assuming: -

(i) 10% increase in the cost of raw materials. *20% Increase*

(ii) 10% increase in direct wages.

(iii) 5% increase works overhead charges.

(iv) 20% decrease in administration and selling overhead charges

(v) Same percentage of profit on sales price as earned during the month of July.

Solution:**Workings:****(i) Purchase of materials for July 2011:**

Cost of materials used for July at June price

Less: Opening stock of raw materials

Purchase of raw materials for July at June price

So, Purchase price of raw materials for July = $1,30,000 \times \frac{120}{100} = 1,56,000$

(ii) Percentage of profit on sales = $\frac{\text{Profit}}{\text{Sales}} = 100 = \frac{25000}{300000} \times 100 = 8.3333\%$

(iii) Profit for July:

Profit 8.3333% on sales

Let, sales = 100, then profit 8.3333

Cost = $100 - 8.3333 = 91.6667$

So, profit = $3,04,000 \times \frac{8.3333}{91.6667} = 27,636$

Requirements:

Statement of cost
For the month of June, 2011

Particulars	Tk.	Tk.
Opening stock raw materials	6,000	
Purchase of raw materials	1,44,000	

Cost of raw materials available for use	1,50,000		
Less: Closing stock of raw materials	10,000		
Materials used		1,40,000	140
Direct wages	55,000		
Less: wages for may	3,000		
	52,000		50
Less: Advance for July	2,000	50,000	
		1,90,000	190
Prime cost		60,000	60
Works overhead		2,50,000	250
Cost of goods manufactured		25,000	25
Administrative and selling expenses		2,75,000	275
Total cost/cost of sales		25,000	25
Profit			
Sales		3,00,000	300

Estimated selling price (Per unit) in August, 2012

Direct Materials (Tk. 140 × 1.20)	168.00
Direct Wages (Tk. 50 × 1.10)	55.00
Prime Cost	223.00
Works Overhead (Tk. 60 × 1.05)	63.00
Work Cost/Cost of production /COGS	286.00
Administrative and Selling Overhead (Tk. 25 × 0.80)	20.00
Cost of Sales	306.00
Profit (@ 8.3333% on Sale or 9.09% on Cost)	27.82
Selling Price	333.82

PROBLEM 31

[BBA (Professional) 2014]

The following cost and inventory data for the just completed year taken from the accounting records of Pulok Company:

	Jan. 1, 2014	Dec. 31, 2014
	Taka	Taka
Raw materials	7,000	8,000
Work-in-progress	6,000	10,000
Finished goods	30,000	15,000

Further information relating to the year are as follows:

Advertising expense Tk. 1,00,000; Direct labor cost Tk. 80,000; Purchase of raw materials Tk. 1,30,000; Rent. factory building Tk. 70,000; Indirect labor Tk. 50,000; Sales commission Tk. 35,000; Utilities- factory Tk. 9,000; Maintenance- factory equipment Tk. 24,000; Supplies- factory Tk. 800; Depreciation- office equipment Tk. 9,000; Depreciation- factory equipment Tk. 40,000; Selling and administration expenses Tk. 20,000; Total sales for the year Tk. 6,50,000.

Required:

- (i) Prepare a statement of cost of goods sold for the year ended Dec. 31, 2014 8
- (ii) Prepare an income statement for the year ended Dec. 31, 2014. 7