

PROBLEM 33

Oli inc. submits the following data for April:

Direct labor cost Tk. 30,000

Raw materials purchased Tk. 60,000

Factory overhead is applied at the rate of 150% of direct labor cost.

Inventory accounts showed these opening and closing balances:

	April, 1	April, 30
	Taka	Taka
Raw materials	7,000	7,400
Works-in-process	9,600	13,000
Finished goods	15,000	17,500
Other data:		14,100
Marketing expenses		22,900
General and administrative expenses		1,82,900
Sales for the month		

Required: Statement of cost of goods sold, including all beginning and ending inventories.

HELPLINE

If you read the question carefully, you can see that Opening Stock of Raw Material is 7,000 units but closing stock is 7,400 Units. How could it have happened? Purchase of Raw Material? So, we have to find out the amount of Purchase of Raw Material. Cost of goods sold is given so we need to do the back calculation of goods sold to Raw Material Purchase.

Solution: Workings:

Calculation of Raw Material Purchase

Particulars	Taka
Cost of goods sold	1,28,700
Add: Ending finished goods	17,500
Less: Opening finished goods	15,000
Cost of production	1,31,200
Add: Ending work-in-process	13,000
Less: Opening work-in-process	9,600
Total manufacturing cost	1,34,600
Less: Factory overhead (30,000 × 150%)	45,000
Prime cost	89,600
Less: Direct labor cost	30,000
Material used	59,600
Add: Ending Raw Material	7,400
Less: Opening Raw Material	7,000
Purchase of Raw Material	60,000

Statement of cost of goods sold

Particulars	Taka
Opening Raw Material	7,000
Purchase of Raw Material	60,000
Ending Raw Material	(7,400)
* Material used	
Direct labor cost	
* Prime cost	
Factory overhead (30,000 × 150%)	