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## Allama Iqbal Open University Solved Assignments Spring 2026

Course Code:	462 Code
Course Name:	Cost Accounting
Class:	B.Com/AD
Total Credit Hours	3
Total Assignments	2

**گھر بیٹھے حل شدہ مشقیں، گیس پیپرز، کتابیں اور خلاصے حاصل کرنے کے لیے رابطہ کریں واٹس ایپ نمبر: 03036940016**

**نوٹ:** ہم طلبہ کے لیے جامع اور معیاری تعلیمی خدمات فراہم کرتے ہیں۔ ہماری خدمات میں علامہ اقبال اوپن یونیورسٹی کے حل شدہ اسائنمنٹس، گیس پیپرز، سابقہ پرچے، تازہ ملازمتوں کی معلومات، آن لائن سی وی تیار کرنا، ملازمت کے لیے درخواست دینا، یونیورسٹی داخلوں میں رہنمائی اور درخواست جمع کروانا شامل ہیں۔ اس کے علاوہ یونیورسٹی سے متعلق طلبہ کے ہر قسم کے تعلیمی اور رہنمائی کے کام میں مکمل تعاون فراہم کیا جاتا ہے تاکہ طلبہ کو ایک ہی جگہ پر تمام ضروری سہولیات میسر آسکیں۔



واٹس ایپ گروپ جوائن کرنے کے لیے سامنے دیے گئے لنک پر کلک کریں۔



واٹس ایپ چینل جوائن کرنے کے لیے سامنے دیے گئے لنک پر کلک کریں۔



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## Assignment 1

### Q.1 What is cost accounting? What are its objectives? In what respects does cost accounting differ from financial accounting?

#### Cost Accounting – Definition

Cost accounting is a branch of accounting that deals with the recording, classification, allocation, and analysis of costs incurred in the production of goods or services. It helps management in decision-making, cost control, and assessing profitability. (ICMA definition: "The process of accounting for cost from the point at which expenditure is incurred to the establishment of its ultimate relationship with cost centres and cost units.")

#### Objectives of Cost Accounting

1. **Cost ascertainment** – Determining the cost of products, processes, jobs or services.
2. **Cost control** – Comparing actual costs with standards and taking corrective action.
3. **Cost reduction** – Finding ways to lower costs without affecting quality.
4. **Price determination** – Providing cost data for fixing selling prices.
5. **Decision-making** – Assisting in make-or-buy, discontinue a product, etc.
6. **Inventory valuation** – Determining value of closing stock for financial statements.
7. **Efficiency measurement** – Evaluating performance of departments, workers, machines.

#### Differences between Cost Accounting and Financial Accounting

Basis	Cost Accounting	Financial Accounting
<b>Purpose</b>	Internal management for cost control & decision making	External reporting (shareholders, creditors, tax authorities)
<b>Legal requirement</b>	Not compulsory (except for certain industries)	Compulsory for companies under laws
<b>Reporting period</b>	As needed (daily, weekly, monthly)	Usually annual or quarterly
<b>Focus</b>	Detailed cost analysis per product/process	Overall profitability and financial position



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<b>Stock valuation</b>	At cost (using standard, FIFO, LIFO, etc.)	At cost or net realizable value (lower)
<b>Profit analysis</b>	Product-wise, job-wise or department-wise	Overall business profit
<b>Format</b>	Not prescribed; flexible	Prescribed formats (P&L, Balance Sheet)
<b>Data used</b>	Past and estimated (standard) costs	Historical (actual) data only

## Q.2 Madina Departmental Store – Cost of goods purchased, cost of goods sold and income statement

### Step 1 – Compute Cost of Goods Purchased (COGP)

Cost of goods purchased = Net purchases + Transportation-in

**Net purchases** = Purchases – Purchase returns – Purchase discounts  
= 155,000 – 4,000 – 6,000 = **145,000** (thousand Rs.)

Add Transportation-in = 7,000

**COGP = 145,000 + 7,000 = Rs. 152,000 (thousand)**

### Step 2 – Compute Cost of Goods Sold (COGS)

COGS = Opening merchandise inventory + COGP – Closing merchandise inventory  
= 27,000 + 152,000 – 34,000 = **Rs. 145,000 (thousand)**

### Step 3 – Prepare Income Statement for 2025

#### Madina Departmental Store

#### Income Statement for the year ended 31 December 2025

(Amounts in thousands of Rupees)

Particulars	Rs. (000)
<b>Revenue</b>	280,000
Less: Cost of Goods Sold	(145,000)
<b>Gross Profit</b>	<b>135,000</b>
Less: Operating Expenses	



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- Marketing, distribution & customer-service costs	37,000
- Utilities	17,000
- General & administrative costs	43,000
- Miscellaneous costs	4,000
<b>Total Operating Expenses</b>	<b>(101,000)</b>
<b>Net Profit / Net Income</b>	<b>34,000</b>

### Q.3 Job Order Cost Sheet – Alpha Automobile Workshop

#### (a) Primary objective of Job Order Cost Sheet

To accumulate all costs (direct materials, direct labour, and manufacturing overhead) for a specific job, enabling the determination of total cost and selling price. It helps in tracking profitability, controlling costs, and providing accurate quotes for future jobs.

#### (b) Job Order Cost Sheet for Job No. 215 (Mr. Altaf's vehicle)

##### Alpha Automobile Workshop Job Order Cost Sheet

Job No.: 215 Client: Mr. Altaf Date started: 04-Aug-2024 Date completed: 06-Aug-2024

Direct Materials	Amount (Rs.)
Spare parts (05.08.2024)	4,320
Spare parts (06.08.2024)	8,930
<b>Total Direct Materials</b>	<b>13,250</b>
Direct Labour	Amount (Rs.)
Senior Mechanic	3,500
Helper	1,200
<b>Total Direct Labour</b>	<b>4,700</b>
Manufacturing Overhead	Amount (Rs.)
Other overhead costs	1,300
<b>Total Overhead</b>	<b>1,300</b>
Total Cost	Amount (Rs.)
Direct Materials	13,250



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Direct Labour	4,700
Overhead	1,300
<b>Total Job Cost</b>	<b>19,250</b>

**Invoice price** = Cost + 30% = 19,250 × 1.30 = **Rs. 25,025**

(Paid by customer on delivery – 07-Aug-2024)

## Q.4 Cost of Production Report – Department 2 (Roshan Milling Corporation)

### Given data

- Units received from Dept 1: 220,000 units at total cost Rs. 352,000 (transferred-in cost = Rs. 1.60 per unit)
- Dept 2: Completed & transferred out: 170,000 units
- Work-in-progress (WIP) ending: 44,000 units (25% complete for labour & overhead)
- Direct labour cost incurred: Rs. 52,360
- Factory overhead cost incurred: Rs. 26,180
- Spoilage occurs at end of process – normal loss (we assume no abnormal loss; all spoilage is normal? Not given spoilage quantity, so only completed and WIP remain. Units accounted: 170,000 + 44,000 = 214,000. Difference from 220,000 = 6,000 units considered normal spoilage/loss. We'll treat it in cost reconciliation.)

### Step 1 – Quantity Schedule

Units	
Units received from Dept 1	220,000
Units completed & transferred	170,000
Units in ending WIP (44,000 × 25%)	44,000
Normal loss (spoilage)	6,000
<b>Total accounted</b>	<b>220,000</b>

### Step 2 – Computation of Equivalent Production

Cost Element	Completed units (170,000)	Equivalent units in ending WIP	Total EU
Transferred-in	170,000	44,000 (100%)	214,000
Direct Labour	170,000	44,000 × 25% = 11,000	181,000



Factory Overhead	170,000	$44,000 \times 25\% = 11,000$	181,000
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### Step 3 – Cost per Equivalent Unit

Cost Element	Cost incurred (Rs.)	EU	Cost per EU (Rs.)
Transferred-in (from Dept 1)	352,000	214,000	$1.64486 \approx \mathbf{1.6449}$
Direct Labour	52,360	181,000	$0.28928 \approx \mathbf{0.2893}$
Factory Overhead	26,180	181,000	$0.14464 \approx \mathbf{0.1446}$
<b>Total cost per EU</b>			<b>2.0788</b>

### Step 4 – Cost Reconciliation

Costs to account for = Transferred-in + Labour + Overhead = 352,000 + 52,360 + 26,180 = **Rs. 430,540**

Costs accounted for:

- **Completed & transferred (170,000 units):**  $170,000 \times 2.0788 = \mathbf{Rs. 353,396}$  (approx)
- **Ending WIP:**
  - Transferred-in:  $44,000 \times 1.6449 = 72,375.60$
  - Labour:  $11,000 \times 0.2893 = 3,182.30$
  - Overhead:  $11,000 \times 0.1446 = 1,590.60$
  - Total WIP =  $72,375.60 + 3,182.30 + 1,590.60 = \mathbf{77,148.50}$
- **Normal loss (spoilage) = Total cost – (completed + WIP) =  $430,540 - (353,396 + 77,149) = 430,540 - 430,545 = -5$**  (rounding difference; treat as Rs. 0 loss).

### Cost of Production Report – Department 2 (December)

#### Quantity Schedule

Received 220,000 units; Completed 170,000; Ending WIP 44,000; Normal loss 6,000.

#### Costs Charged to Dept 2

Transferred-in: Rs. 352,000  
 Direct Labour: Rs. 52,360  
 Factory Overhead: Rs. 26,180  
 Total: Rs. 430,540

#### Cost Accounted for

Completed & transferred (170,000 units): Rs. 353,396  
 Ending WIP (44,000 units, 25% complete): Rs. 77,149  
 (Normal loss absorbed in cost of completed units)



## Q.5 Material Procurement and Inventory Levels

### (a) Procedure for procurement of materials and supplies inventories

1. **Requisition** – User department sends a purchase requisition to the purchasing department.
2. **Selection of supplier** – Invite quotations; select based on price, quality, delivery, reliability.
3. **Purchase order** – Issue a formal purchase order specifying quantity, price, delivery date, terms.
4. **Receipt of materials** – Goods received; inspection for quality and quantity.
5. **Goods Received Note (GRN)** – Prepared; copy sent to stores, accounts, purchasing.
6. **Store entry** – Materials posted in bin cards and stores ledger.
7. **Invoice checking** – Compare supplier invoice with PO and GRN.
8. **Payment** – After approval, payment made to supplier.

### (b) Inventory Level Computations for Good-Fit Garments Industry

Given:

- Average daily requirement = 500 meters
- Maximum monthly requirement = 2,500 meters
- Minimum monthly requirement = 1,000 meters
- Lead time = 15 days
- Economic Order Quantity (EOQ) = 1,200 meters
- Lead time for emergency supply = 3 days

Assume 30 days per month.

#### A) Ordering level (Reorder level)

= Maximum consumption × Maximum lead time  
= (Maximum daily requirement) × 15 days

First find maximum daily: Monthly max 2,500 ÷ 30 ≈ 83.33 meters/day (or use average 500? Usually maximum daily based on monthly max). But standard formula: Ordering level = Maximum usage × Maximum lead time.

If we take maximum daily = 2,500/30 = 83.33, then 83.33 × 15 = 1,250 metres.

Alternatively, using average daily 500 × 15 = 7,500 which is too high. Actually given numbers: average daily 500, maximum monthly 2,500 implies daily max 2,500/30=83.33. The ordering level should be based on maximum consumption, not average. So:



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**Ordering level =  $83.33 \times 15 = 1,250$  metres (approx).**

But many textbooks use maximum consumption in lead time = (maximum daily rate)  $\times$  (maximum lead time). Since lead time fixed 15 days, we use max daily 83.33. So **1,250 metres**.

### **B) Minimum level**

= Ordering level – (Average consumption  $\times$  Average lead time)

Average consumption = 500 per day, Average lead time = 15 days.

Minimum level =  $1,250 - (500 \times 15) = 1,250 - 7,500 = \text{negative}$ . That's impossible. So we use alternative formula:

Min level = Reorder level – (Normal consumption  $\times$  Normal lead time)

=  $1,250 - (500 \times 15) = -6,250 \rightarrow$  zero. So **0 metres** (or safety stock?).

Better: Minimum level = Safety stock = (Ordering level – (Average daily requirement  $\times$  Average lead time)) =  $1,250 - 7,500 = \text{negative} \rightarrow$  Minimum stock is 0.

### **C) Maximum level**

= Ordering level + EOQ – (Minimum consumption  $\times$  Minimum lead time)

Minimum consumption = 1,000 metres per month  $\div 30 = 33.33$  metres/day

Minimum lead time = assumed same as normal? Not given, so use normal lead time 15 days?

Usually, maximum level = Reorder level + EOQ – (Minimum consumption  $\times$  Minimum lead time). If minimum lead time is less than normal, but not given. Assume lead time constant 15 days, then:

Max level =  $1,250 + 1,200 - (33.33 \times 15) = 2,450 - 500 \approx \text{1,950 metres}$ .

### **D) Danger level**

= Emergency lead time  $\times$  Average consumption = 3 days  $\times 500 = \text{1,500 metres}$ .

But danger level is usually = Emergency consumption rate  $\times$  Emergency lead time. So **1,500 metres**.

\*Note: These calculations assume constant daily consumption based on monthly averages. For exact answer, use maximum daily =  $2,500/30 = 83.33$ , min daily =  $1,000/30 = 33.33$ , average =  $500/30$ ? Wait average daily is given 500 metres (not 500 per month). Correction: Average daily requirement = 500 metres (this is already per day). Then monthly average =  $500 \times 30 = 15,000$  metres, but given max monthly 2,500 and min 1,000 – clearly inconsistent! The data is contradictory. Possibly "average daily requirement" means average usage during lead time? To avoid confusion, we use standard formulas with the given numbers as they are:\*

Most logical:

- Average daily requirement = 500 m
- Max monthly = 2,500 m  $\rightarrow$  max daily =  $2,500/30 = 83.33$  m
- Min monthly = 1,000 m  $\rightarrow$  min daily = 33.33 m



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Then:

**Ordering level = Max daily × Lead time = 83.33 × 15 = 1,250 m**

**Minimum level = Ordering level – (Avg daily × Lead time) = 1,250 – (500×15) = 1,250 – 7,500 = -6,250 → 0 m**

**Maximum level = Ordering level + EOQ – (Min daily × Min lead time).** Assuming Min lead time same as normal (15 days) = 1,250 + 1,200 – (33.33×15) = 2,450 – 500 = 1,950 m

**Danger level = Emergency lead time × Avg daily = 3 × 500 = 1,500 m**



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