

Semester “Spring 2010”

“Cost & Management Accounting (Mgt 402)”

Assignment No. 1

Marks: 20

China Toys manufacturing company Ltd. had a fire that completely destroyed the factory premises. Only few accounting records that could be saved reveal following information:

| Items | Rs. |
|----------------------------------|---------|
| Sales | 218,800 |
| Financial expenses | 600 |
| Cost of goods available for sale | 200,000 |
| Raw material purchased | 90,000 |
| Direct Labor | 35,000 |
| Sales return | 2,800 |

Balance Sheet of previous year contains the following inventory balances:

| Items | Rs. |
|---------------------------|--------|
| Work in process inventory | 70,000 |
| Material inventory | 8,000 |
| Finished goods inventory | 50,000 |

Accountant of the company on the basis of his past experience presented following percentage relationship:

| | |
|-------------------------|-----------------------------------|
| Selling expenses | 5% of Net Sales |
| Prime cost | 60% of Cost of Goods Manufactured |
| Administrative expenses | 8% of Net Sales |
| Factory overhead | 30% of Conversion Cost |
| Gross profit | 30% of Net Sales |

Required

- Prepare Cost of Goods Sold Statement for the year ended Dec 31st, 2009 by adjusting the closing inventories of work in process, finished goods and material. Also show complete working where required. (15 Marks)
- Income statement for the year ended Dec 31st, 2009. (5 Marks)

Important Tips

1. This Assignment can be best attempted from the knowledge acquired after watching video lecture no. 1 to lecture no 11 and reading handouts as well as recommended text book).
2. Video lectures can be downloaded for free from www.youtube.com/vu.

Schedule

| | |
|-----------------------|---|
| Opening Date and Time | 30 April , 2010 At 12:01 A.M. (Mid-Night) |
| Due Date and Time | 05 May , 2010 At 11:59 P.M. (Mid-Night) |

Note: Only in the case of Assignment, *24 Hrs extra / grace period* after the above mentioned due date is usually available to overcome uploading difficulties which may be faced by the students on last date. This extra time should only be used to meet the emergencies and above mentioned due dates should always be treated as final to avoid any inconvenience.

Important Instructions:

Please read the following instructions carefully before attempting the assignment solution.

Deadline:

- **Make sure that you upload the solution file before the due date. No assignment will be accepted through e-mail once the solution has been uploaded by the instructor.**

Formatting guidelines:

- **Use the font style "Times New Roman" and font size "12".**
- **It is advised to compose your document in MS-Word 2003.**
- **Use black and blue font colors only.**

Solution guidelines:

- **Use APA style for referencing and citation. For guidance search "APA reference style" in Google and read various website containing information for better understanding or visit <http://linguistics.byu.edu/faculty/henrichsenl/apa/APA01.html>**
- **Every student will work individually and has to write in the form of an analytical assignment.**
- **Give the answer according to question, there will be negative marking for irrelevant material.**
- **For acquiring the relevant knowledge don't rely only on handouts but watch the video lectures and use other reference books also.**

Rules for Marking

Please note that your assignment will not be graded or graded as Zero (0) if:

- **It has been submitted after due date**
- **The file you uploaded does not open or is corrupt**
- **It is in any format other than .doc (MS. Word)**
- **It is cheated or copied from other students, internet, books, journals etc...**