2025 July (Q6)

X (Pvt) Ltd. produces **Product Y** and it has two Production Departments (**A** and **B**) and one Service Department (**C**).

(1) The company has estimated the following production overheads for the month of August 2025:

Cost item	Cost (Rs.)
Machinery depreciation	1,800,000
Factory rent	720,000
Electricity	1,200,000
Quality control expenses	400,000

(2) You are given the following additional information also:

	Production Departments		Service Department
	Department A	Department B	Department C
Indirect Material Cost (Rs.)	450,000	280,000	175,000
Value of Machinery (Rs.)	15,000,000	18,000,000	7,000,000
Usage of Electricity (Kilowatts)	1,200	800	400
Floor area (Square Feet)	1,600	1,400	600
No. of quality inspections	24	36	40
Number of Direct labour hours	10,000	16,000	-
Apportionment of cost – **Department C**	45%	55%	-
Number of Direct labour hours required per product	1	2	-

(3) The estimated direct costs for a product are as follows:

Per Product	Rs.
Direct material	300
Direct labour	220
Prime Cost	**520**

You are required to:

(a) **Prepare** a statement showing how the overheads are allocated and apportioned to each production department. (06 marks)

(b) **Calculate** the estimated total production cost of a product. (04 marks)

(Total 10 marks)

End of Section B

2025 January (Q 5 -part b)

(b) **Lassana Clothing Ltd.** has two production departments **(P1** and **P2)** and one service department **(S1)**.

The company has estimated the budgeted production overhead for the month of March 2025 as follows:

	Rs.
Electricity	787,500
Rent	275,000
Employees' welfare	303,000
Depreciation on Machinery	60,000

The following budgeted data are provided for the month of March 2025:

	P1	**P2**	**S1**	**Total**
Indirect Materials (Rs.)	725,000	875,000	250,000	1,850,000
No. of Employees	25	30	5	60
Cost of Machinery (Rs.)	10,000,000	12,000,000	8,000,000	30,000,000
Usage of Electricity (kilowatts)	12,000	8,000	2,500	22,500
Floor Area Occupied (square feet)	2,500	2,300	200	5,000
Apportionment of Cost – **S1**	65%	35%	-	-

You are required to:

Prepare a statement showing how the overheads are allotted and apportioned to each production department. (07 marks)

(Total 10 marks)

2024 January

Question 05

The following information was extracted from **Sunhill (Pvt) Ltd.** and it has two production departments and a service department.

(1) The company has estimated budgeted production overhead for the month of March 2024 as follows:

	Rs.
Electricity	380,000
Rent	368,500
Staff Welfare	69,000
Employees Supervision	138,000
Depreciation on Machinery	154,700
	1,110,200

(2) The following budgeted data are provided for the month of March 2024:

	Production		Service Department	Total
	Department 1	Department 2		
Indirect Materials (Rs.)	575,000	485,000	340,000	1,400,000
Number of Employees	28	13	5	46
Cost of Machinery	8,960,000	4,810,000	1,700,000	15,470,000
Usage of Electricity (Kilowatts)	2,800	1,523	427	4,750
Floor Area Occupied (square feet)	3,700	1,550	250	5,500
Direct Labour Hours	4,000	2,000	-	-
Apportionment of Cost - Service	55%	45%	-	-

You are required to:

(a) **Prepare** a statement showing how the overheads are allocated and apportioned to each of the department. (07 marks)

(b) **Calculate** the overhead absorption rate for each of the production department based on the direct labour hours. (03 marks)

(Total 10 marks)

2023 January

Question 06

Ramzi Ltd. which is a manufacturer of bags has two Production Departments (Sewing and Finishing) and a Service Department (Technical).

The budgeted data on overheads for the month ending 30th April 2023 is as follows:

Basis	Departments		
	Production		Service
	Sewing	Finishing	Technical
Indirect Material (Rs.)	325,000	450,000	75,000
Indirect Labour (Rs.)	390,000	500,000	125,000
Floor Area Occupied (Square feet)	1,600	720	480
Number of Employees	150	50	50
Machine Values (Rs.)	1,800,000	1,200,000	600,000
Usage of Electricity (kilowatts)	1,200	600	200
Direct Labour Hours	12,000	8,000	-
Apportionment of Cost - Technical	55%	45%	-

Estimated budgeted overhead cost for the month of April 2023 is given below:

Cost Item	Cost (Rs.)
Staff Welfare	250,000
Machine Depreciation	720,000
Electricity	120,000
Rent	280,000
Machine Maintenance	360,000

You are required to:

(a) **Prepare** a statement showing how the overheads are allotted and apportioned to each of the production departments. (07 marks)

(b) **Calculate** the overhead absorption rate per direct labour hour of each production department. (03 marks)

(Total 10 marks)