TOPICS : Material Cost Control & Labour Cost Control

QUESTION NO.1 **(10 MARKS)**

The Stock Control Policy of a company is that each stock is ordered twice a year. The quantum of each order being one-half of the year's forecast demand.

The Materials Manager, however wishes to introduce a policy in which for each item of stock, Re-Order Levels and EOQ is calculated. For one of the items X, the following information is available

Forecast Annual Demand	3,600 units
Cost per unit	Rs.100
Cost of placing an order	Rs. 40
Stock holding cost	20% of Average Stock Value
Lead Time	1 month

It is estimated by the Materials Manager that for item X, a Buffer Stock of additional 100 Units should be provided to cover fluctuations in demand.

If the new policy is adopted, **calculate for Stock Item X -**

1. Re-Order Level that should be set by the Material Manager.
2. Anticipated reduction in the value of the average stock investment.
3. Anticipated reduction in the Total Inventory Costs in the first and subsequent years.

QUESTION NO.2

A. **Calculate the earnings of A and B** from the following particulars for a month and allocate the labour cost to each job X, Y and Z:

		A	B
(i)	Basic Wages	Rs. 100	Rs. 160
(ii)	Dearness Allowance	50%	50%
(iii)	Contribution to provident Fund (on basic wages)	8%	8%
(iv)	Contribution to Employees' State Insurance (on basic wages)	2%	2%
(v)	Overtime	10 hours	

The normal working hours for the month are 200. Overtime is paid at double the total of normal wages and dearness allowance. Employer's contribution to state Insurance and Provident Fund are at equal rate with employees' contributions. The two workers were employed on jobs X, Y and Z in the following proportions:

	Jobs		
	X	**Y**	**Z**
Worker A	40%	30%	30%
Worker B	50%	20%	30%

Overtime was done on job Y.

(8 MARKS)

B. The following are the details of receipts and issues of a material of stores in a manufacturing Company for the period of 3 months ending 30th June -

Receipts			**Issues**	
Date	**Quantity (kgs)**	**Rate per kg. (Rs.)**	**Date**	**Quantity (kgs)**
April 10	1,600	5.00	April 4	1,100
April 20	2,400	4.90	April 24	1,600
May 5	1,000	5.10	May 10	1,500
May 17	1,100	5.20	May 26	1,700
May 25	800	5.25	June 15	1,500
June 11	900	5.40	June 21	1,200
June 24	1,400	5.50		

There was 1,500 kgs in Stock at 1st April, which was valued at Rs. 4.80 per kg.

Issues are to be priced on the basis of Weighted Average Method. The Stock Verifier of the Company reported a shortage of 80 kgs on 31st May and 60 kgs on 30th June. The shortage is treated as inflating the price of remaining material on account of shortage. **You are required to prepare a Stores Ledger Account.**

(10 MARKS)

QUESTION NO.3

A. PQR Ltd., manufactures a special product, which requires 'ZED'. The following particulars were collected for the year 2005-06:

(i) Monthly demand of Zed : 7,500 units

(ii) Cost of placing an order : Rs. 500

(iii)	Re-order period	:	5 to 8 weeks
(iv)	Cost per unit	:	Rs. 60
(v)	Carrying cost % p.a.	:	10%
(vi)	Normal usage	:	500 units per week
(vii)	Minimum usage	:	250 units per week
(viii)	Maximum usage	:	750 units per week

Required:

(i) Re-order quantity.

(ii) Re-order level.

(iii) Minimum stock level.

(iv) Maximum stock level.

(v) Average stock level.

(6 MARKS)

B. You are given the following information of a worker:

(i)	Name of worker	:	Mr. Roger
(ii)	Ticket No.	:	002
(iii)	Work started	:	1-4-14 at 8 a.m.
(iv)	Work finished	:	5-4-14 at 12 noon
(v)	Work allotted	:	Production of 2,160 units
(vi)	Work done and approved	:	2,000 units
(vii)	Time and units allowed	:	40 units per hour
(viii)	Wage rate	:	Rs. 25 per hour
(ix)	Mr. Roger worked 9 hours a day.		

You are required to calculate the remuneration of Mr. Roger on the following basis:

Halsey plan

(6 MARKS)