

**BBAC501 Group Assignment: (Total Marks 15)**

**Due Date: Session 5.2**

Carlton Speciality PLC is a small family owned firm that manufactures custom made furniture and uses job costing system. The company does not have computerised system and thus maintains all accounting records on hard copies that are stored in the accounting office area. Overhead is applied using a predetermined rate that is set at the start of the year based on budgeted figures. The cost driver used for overhead cost allocation is direct labour hours. Labour cost is computed based on average pay rate per labour hour. On August 1, the company sustained a minor fire accident that affected the accounting office area and burnt some accounting record files.

Account balances (\$)	1/07/2016	31/07/2016
Raw Materials	?	850,000
Work in process	240,000	?
Finished Goods	320,000	1,200,000
Accounts Payable	70,000	65,000

Additional information recovered partly from the fire ravaged ledger records and from the interview with company employees show the following:

Payments for accounts payable during July amounted to .....	\$430,000
Cost of Jobs sold during July were .....	\$4,000,000
Direct labour hours worked during July totalled to .....	270,000

- The company sets prices for finished jobs by adding a mark-up percentage of 50% on total product costs.
- Stocktake on 1 August revealed that there was only one job in process left incomplete in the month of July. Source documents associated with this job display:
 

Direct labour costs of .....	\$100,000
Direct labour hours worked on the job .....	31,250
Cost of direct materials used by the job ....	\$140,000
- Budgeted direct labour hours are 200,000 and budgeted manufacturing overhead costs are \$1,000,000 for the year 2016.
- Selling and administration costs are estimated to be \$400,000 for the year 2016.
- Accounts payable is used in relation to raw materials only.

**Required:**

1. Prepare a combined schedule of cost of good manufactured and cost of sold statement for the month of July 2016. Show computations pertaining to the missing values for raw materials and WIP control accounts. **8 Marks**
2. Prepare an income statement for the month of July 2016. **2 Marks**



3. Discuss the main differences between job costing and process costing. Hint: You are required to use proper referencing. **2 Marks**
4. Are monthly production reports an example of periodic or perpetual inventory systems? Explain. **2 Marks**  
**1 Mark** for good format of presentation (**see marking rubric**)