**Cost & Management Accounting**

**NMIMS Centre for Distance and Online Education (NCDOE)**

**Internal Assignment Applicable for June 2025 Examination**

**Q1. ABC Manufacturing Ltd. produces a single product and operates a factory where both direct labor costs and overhead costs are incurred. The company provides the following data for February:**

**- Labour Costing Data: Total direct wages paid: Rs. 50,000Number of direct labor hours worked: 10,000 hoursOvertime premium included in wages:**

**$2,000Employer’s contribution to benefits (social security, insurance, etc.): 10% of direct wages**

**- Overhead Costing Data: Total factory overhead costs: $40,000Overheads are absorbed based on direct labor hours**

**Required:**

**1. Calculate the total direct labor cost, considering the employer’s contribution.**

**2. Compute the direct labor cost per hour.**

**3. Determine the overhead absorption rate per labor hour.**

**4. If a job requires 50 labor hours, calculate the total labor and overhead cost assigned to the job.**

**(10 Marks)**

**Answer:**

**Introduction:**

ABC Manufacturing Ltd. operates a production facility where both direct labor costs and factory overheads contribute significantly to the total cost of production. Accurate computation of these costs is essential for pricing, budgeting, and overall cost management. The company provides financial data related to direct labor wages, overtime premiums, employer contributions to benefits, and factory overhead expenses. Understanding these cost components is necessary to determine labor costs, overhead absorption rates, and the total job cost when labor hours are involved.

**This is partially solved sample answer**

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**Q2 (A) Elaborate on the implementation of a Just-in-Time (JIT) inventory system impact the material cost control process in a manufacturing company and explain its importance.**

**(5 Marks)**

**Answer:**

**Introduction:**

A Just-in-Time (JIT) inventory system is a management strategy that focuses on reducing inventory costs by ensuring that materials and components arrive exactly when they are needed in the production process. This method helps manufacturing companies minimize waste, lower storage expenses, and improve operational efficiency. Effective material cost control is essential in a manufacturing setup, as it directly impacts profitability and competitive pricing. By implementing JIT, companies can maintain lean inventory levels, reduce carrying costs, and enhance production efficiency while ensuring quality and timely delivery. This approach is crucial for businesses looking to optimize their cost structures and streamline operations.

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**Q2 (B) Analyze how the method of valuing work-in-progress (prime cost vs. works cost) influences the final cost of goods sold and the financial reporting of a manufacturing company.**

**(5 Marks)**

**Answer:**

**Introduction:**

Work-in-progress (WIP) valuation is an essential aspect of manufacturing accounting as it directly affects the cost of goods sold (COGS) and financial reporting. Manufacturing companies often use either the prime cost method or the works cost method to value WIP. The choice between these methods influences the accuracy of cost allocation and the company's profitability. Prime cost considers only direct costs like raw materials and direct labor, while works cost includes additional factory overheads. The method used affects financial statements, tax calculations, and decision-making processes. A clear understanding of these valuation methods helps ensure transparency and efficiency in financial reporting.

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