

Course Code: AC 203/IDE – AC 202 (M) 2005
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UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER 2005

DEGREE/DIPLOMA AND YEAR OF STUDY : D.COM 11

TITLE OF PAPER : INTRODUCTION TO COST ACCOUNTING

TIME ALLOWED : TWO (2) HOURS

INSTRUCTIONS :1. TOTAL NUMBER OF QUESTIONS
ON THIS PAPER: FOUR (4)

2. ANSWER QUESTION 1 AND ANY
OTHER TWO QUESTIONS.

3. THE MARKS AWARDED FOR A
QUESTION/PART ARE INDICATED
AT THE END OF EACH QUESTION
/ PART OF QUESTION.

4. ALL WORKING NOTES AND
CALCULATIONS MUST BE SHOWN
ON THE ANSWER SHEET.

NOTE: YOU ARE REMINDED THAT IN ASSESSING YOUR WORK, ACCOUNT
WILL BE TAKEN OF ACCURACY OF THE LANGUAGE AND THE GENERAL
QUALITY OF EXPRESSION, TOGETHER WITH THE LAYOUT AND
PRESENTATION OF YOUR FINAL ANSWER.

SPECIAL REQUIREMENTS : GRAPH PAPER.

THIS PAPER IS NOT BE TO OPENED UNTIL PERMISSION HAS BEEN GRANTED BY
THE INVIGILATOR.

QUESTION ONE

Cedusizi Ltd uses a standard cost system. The standards are set before January 1 each year and remain unchanged until December 31. The standard costs set for the next year are:

- Direct materials E10 per unit
- Direct labour 7.50 per unit
- Overhead (variable and Fixed) 6.00 per unit.

The labour standard above is one and one-half (1 ½) hours per unit and labour wage rate of E5 per hour; that is, 1 ½ @ E5.00 = E7.50.

Overhead will be applied on the basis of standard labour hours. The standard overhead rate per hour is E4.00 (1 ½ hours X E4 = E6.00 per unit).

The variable portion is E2.00 per hour. The original budgeted production volume for January was 5000 units. The actual cost data for January are:

Units produced	6000 units
Direct Materials used	E62,000
Direct labour hours 1000 costing	E46,000
Actual overhead incurred:	
Variable	E23,000
Fixed	E14,000

Required:

- a) Compute variances for direct labour, variable overheads and fixed overheads.
(27 Marks)
- b) State the possible causes of each variance which you have computed
(13 Marks)

(Total:40 Marks)

QUESTION TWO

Thandeka Ltd, a manufacturing company has three service departments (General factory admin, Factory Maintenance, Factory Canteen) and two production departments (Fabrication and Assembly) A summary of costs and other data for each department prior to allocation of service – department costs for the year ended June 30,2004, are as follows:

	Fabrication	Assembly	General Factory Admin	Factory Maintenance	Factory Canteen
Direct Material Costs	E3,130,000	E950,000	0	E65,000	E91,000
Direct labour costs	E1,950,000	E2,050,000	E90,000	E82,100	E87,000
Manufacturing Overhead cos	E1,650,000	E1,850,000	E70,000	E56,100	E62,000
Direct Labour Hours	562,500	437,500	31,000	27,000	E42,000
Number of Employees	280	200	12	8	20
Square-metre occupied	88,000	72,000	1,750	2,000	4,800

The costs of the general –factory –administration department, factory-maintenance department, and factory canteen are allocated on the basis of direct-labour hours, square-footage occupied, and number of employees, respectively.

Required:

- Using the direct method, how much of factory maintenance costs would be allocated to the Fabrication department? (10 Marks).
- Using the direct method, how much of general factory administration costs would be allocated to assembly? (10 Marks).
- Using the step-down method, how much of factory canteen costs would be allocated to factory maintenance?. Assume factory canteen costs are allocated before the other service departments. (10 Marks).

(Total:30 Marks)

QUESTION THREE

A. You are given the following data:

	<u>Product M</u>	<u>Product N</u>
Units produced	200	100
Units sold	180	40
Units selling price at split –off	E120	E60
Total separable costs if processed further	E4000	E1000
Unit selling price if processed further	E195	E80
Joint costs	E18,000	

Required:

- i) Compute the joint costs allocated to each product using the physical measure method (units of output) (6 Marks).
- ii) Compute the joint costs allocated to each product using the sales value at split-off point method. (5 Marks).
- iii) Compute the joint costs allocated to each product using the estimated net realizable value method. (5 Marks).
- iv) Determine whether it is profitable to further process either or both products. Show supporting computations. (5 Marks)

B. Write short notes on the following terms giving examples.

- i) Normal loss (3 Marks)
- ii) Waste (3 Marks)
- iii) Scrap (3 Marks)

(Total :30 Marks)

QUESTION FOUR

- A. The following information was taken from the records of a company for a period in which operations were at 80 percent of normal capacity:

Sales revenue		E600,000
Costs and expenses:		
Fixed	E200,000	
Variable	<u>360,000</u>	<u>560,000</u>
Net profit		<u>E40,000</u>

Required:

- i) Determine the break-down point (6 Marks)
- ii) During the coming period, the company expects to operate at normal capacity. Prepare an estimate of the income expected assuming there are no price changes. (6 Marks)

- B. What questions are answered by CVP analysis (Uses of CVP analysis)
(18 Marks)

(Total:30 Marks)