

**UNIVERSITY OF SWAZILAND****DEPARTMENT OF ACCOUNTING****SUPPLEMENTARY EXAMINATION PAPER, 2010**

**DEGREE/DIPLOMA AND YEAR OF STUDY : DIP.COM 11**

**TITLE OF PAPER : INTRODUCTION TO  
COST ACCOUNTING**

**COURSE CODE : AC 203/IDE 203**

**TIME ALLOWED : THREE HOURS**

- INSTRUCTIONS:**
- 1. THE TOTAL NUMBER OF QUESTIONS ON THIS PAPER ARE FOUR (4)**
  - 2. ANSWER QUESTION ONE 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. WHERE APPLICABLE, SUBMIT ALL WORKINGS AND CALCULATIONS.**

**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: NONE**

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

**QUESTION 1**

Topstar Manufacturers manufactures a variety of products for the domestic market. The following details apply to the overheads incurred in the production process:

<b>Cost Pool</b>	<b>Estimated Overhead Expense E</b>	<b>Cost Driver and Activity Level</b>
Set-ups	169 500	500 set-ups
Quality control and testing	222 600	1 500 quality tests
Material ordering	192 780	1 620 orders
Packaging and dispatch	68 400	192 packages
Labour-related activities	126 500	5 500 labour hours
Machine-related activities	<u>176 200</u>	5 000 machine hours
Total	<u>E955 980</u>	

**REQUIRED**

- a. Using traditional costing methods, compute an overhead recovery rate based on:
  - (i) Labour hours (5 marks)
  - (ii) Machine hours (5 marks)
- b. Compute the appropriate "cost driver" rates using the principles of activity based costing. (30 marks)
- c. What is a cost driver? (5 marks)
- d. What is a blanket or plant wide rate? (5 marks)

**Total (50 Marks)**

**QUESTION 2**

Butterscotch Manufacturers plc operates a single process from which their product Dextrol emerges. The following details regarding production for September 2009 are available:

- a. Current inputs for September :
 

Materials (45 000 units)	E249 300
Conversion costs	E154 140
- b. Closing work-in progress amounted to 12 000 units and consisted of materials (100% complete) and conversion costs (75% complete)
- c. The transfer to the finished goods warehouse amounted to 29 000 units.
- d. Normal loss is equivalent to 3% of current input and, together with any other losses, is deemed to occur when production is fully completed.
- e. Losses are sold at a scrap value of E0.22.

**REQUIRED**

The preparation of a process account for September 2009, together with all supporting calculations.

**Total ( 25 Marks)**

NB: Round off to two decimal places.

**QUESTION 3**

Ranseli plc produces and sells Dextrons and Fextons. The following information is presented to you for 2009.

**Forecasted Sales for 2009**

It is envisaged that 42 000 Dextrons and 38 000 Fextons at a price of E420 and E510 respectively will be sold for the period under review.

	<b>1 January 2009</b>	<b>31 December 2009</b>
Dextrons (units)	8 200	6 800
Fextons (units)	11 500	8 800

The production manager provides the following details regarding raw material utilization:

**Amount used per unit**

<b>Direct materials</b>	<b>Measurement unit</b>	<b>Dextrons</b>	<b>Fextons</b>
XX	kg	4	3
YY	kg	3	5
ZZ	litres	4	3

Additional information pertaining to raw materials is given below:

Opening Stock	Closing Stock	Purchase price
Material		
1 January 2009	31 December 2009 (per unit)	Type
75 000 kg	70 000 kg E17	XX
20 000 kg	30 000 kg 16	YY
14 600 litres	16 000 litres 12	ZZ

The following information relates to labour for 2009.

Hours per unit	Wage rate (per hour)	Type of product
5	E18	Dextrons
6	15	Fextons

### REQUIRED

Prepare the following budgets (having separate column for the two products, where applicable) for 2009.

- (a) Sales budget (4 Marks)
- (b) Production budget (7 Marks)
- (c) Direct material purchases budget in monetary values (7 Marks)
- (d) Labour budget (7 Marks)

**Total ( 25 Marks )**

**QUESTION 4**

The following applies to the manufacturing process of Bozo Manufacturers:

**Materials – Product X**

Standard 5kg of raw material P @ E15 per kg per unit of finished product.

Actual production                      650 units of product X  
Actual usage                              3 320 kg of raw material P  
Actual quantity purchased 5 050 kg of raw material P @ E15.75 per kg

**Labour – Product X**

Standard                                  4 hours of grade A labour @ E38 per hour  
Actual usage                              2 632 hours @ an average of E40.25 per hour

**REQUIRED**

Compute all material and labour variances that the above information permits.

**Total ( 25 Marks)**