
UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING & FINANCE

MAIN EXAMINATION PAPER

DECEMBER 2014

DEGREE/YEAR OF STUDY: BACHELOR OF- COMMERCE YEAR II

TITLE OF PAPER : INTRODUCTION TO COST ACCOUNTING

COURSE CODE : AC 214/ IDE AC 214 (M) DECEMBER 2014

TOTAL MARKS : 100 MARKS

TIME ALLOWED : THREE (3) HOURS

- INSTRUCTIONS
- 1 There are **four (4)** questions. Answer all.
 - 2 Begin the solution to each question on a new page.
 - 3 The marks awarded for each question are indicated at the end of the question.
 - 4 Show all your workings.
 - 5 Calculations are to be made to zero decimal places of accuracy, unless otherwise instructed.

NOTE: You are reminded that in assessing your work, account will be taken of accuracy of language together with the layout and presentation of your final answer.

SPECIAL REQUIREMENTS: CALCULATOR

: GRAPH PAPER

This paper is not to be opened until permission has been granted by the invigilator

QUESTION 1

ABC produces a single product, Product X. It uses two (2) workers, A and B to produce the product. Factory overheads are absorbed on direct-labour hour's basis. The total budgeted factory overhead costs and direct labour hours for the year 2012 are E 100 000 and 50 000 hours respectively.

ABC Ltd remunerates overtime at 1 ½ times the normal rate. Bonus is paid under the Halsey scheme. Normal working hours are 40 per week. The following information relate to the first week of January 2012 where 180 units of product X were produced.

Date	Details	Direct Materials
1-Jan	Opening stock	50kgs@E2.00
2-Jan	Purchases	100kgs@E2.50
3-Jan	Issues	60kgs
4-Jan	Purchases	80 kgs@E3.50
5-Jan	Issues	100 kgs

EMPLOYEE	DETAILS	QUANTITIES/AMOUNTS
A	Output achieved	90 units
	Actual time taken	45 hours
	Basic wage rate/hr	E 10
	Time allowed per unit of X	20 minutes
B	Output achieved	90 units
	Actual time taken	43 hours
	Basic wage rate/hr	E 6
	Time allowed per unit of X	30 minutes

Required:

Compute the total production costs incurred to produce 180 units of product X. Assume the Last-in-First -Out (LIFO) method to value inventory of direct materials (raw materials)

Total:

[25 Marks]

QUESTION 2

Akona Ltd uses a predetermined overhead rate on a labour cost basis for Department A and on a machine-hour basis for Department B. At the beginning of 2014, the company made the following predictions:

Details	Dept A	Dept B
Direct labour costs	E 128 000	E 35 000
Factory overhead	E 144 000	E 150 000
Direct-labour hours	16,000	5,000
Machine hours	7000	20,000

Required:

- Determine the predicted overhead rate that should be used in Department A and Department B [5 Marks]
- During the month of January, the cost sheet of production order no.300 shows the following per unit:

Details	DEPT A	DEPT B
Materials requisitioned	E 20	E 40
Direct-Labour costs	E 32	E 21
Direct-labour hours	4	3
Machine-hours	1	13

Required:

Determine the total cost of producing order no. 300 [4 Marks]

- Assuming that Job no. 300 consisted of 20 units of the product, what is the unit cost of Job no.300? [10 Marks]
- At the end of 2014, it was found that actual factory-overhead costs amounted to E 160 000 in department A and E 138 000 in Department B.

Required:

Give the over or under applied overhead amount for each department and the factory as a whole. Assume that the total actual direct-labour costs and machine hours conformed to the predictions. [6 Marks]

Total: [25 Marks]

Question 3 ✓

Siza Ltd operates a single process from which its product Dex emerges. The following details regarding production for November 2012 are available:

There was no beginning work-in process

Unit started – 10,000. During November, 6000 units were fully completed and transferred to finished goods inventory. Normal losses are 10% of input. Ending work in-process was 1500 units which were 100% complete with respect to direct materials, 80% complete with respect to direct labour, and 60% complete with respect to factory overheads. Losses are deemed to occur when production is fully completed. Losses are sold as scrap for E0.10 per unit.

Input for November, 2012:

Materials E36100

Direct labour E26100

Factory overheads E16800

REQUIRED: Compute the following :

- | | |
|--|-------------------------|
| a) value of completed units | (5 Marks) |
| b) value of abnormal loss | (5 Marks) |
| c) value of ending work-in process | (5 Marks) |
| d) prepare the work in process account | (5 Marks) |
| e) prepare the abnormal loss account | (5 Marks) |
| | Total (25 Marks) |

Question 4

Sebernta Ltd produces four joint products through a single process from which there is also a by product output. It uses the sales value for apportionment joint costs. The process cost for the month of March 2012 amounted to:

Direct materials	E465 000
Direct labour	127500
Production overhead	382,000

Production and sales during the month were as follows:

	Amount produced	Amount sold	Sales price
	Units	units	percent
Joint products:			
Go	7000	6300	E90
Re	9000	7000	E30
Cor	8000	6400	E22.50
Le	4000	3800	E90
By-product :			
Mac	15,000	15000	E1

There were no stocks at hand at the beginning of March 2012.

REQUIRED:

Prepare a statement showing the value of closing stocks at the end of March 2012 and a profit statement for the month of March 2012 for the company. Use the relative sales value at split-off.

N.B: you should assume that the cost accounting treatment of the by-product would be to credit the process account with the net sale proceeds of the by-product.

(25 Marks)