

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
SUPPLEMENTARY 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

The following information applies to Thandanani Ltd: Budgeted Production - 10,000 units.

Standard Data	Per Unit
Material - 3kg at E2 per kg	E6
Labour 2 hours at E3 per hour	E6

Overhead:

Fixed - 2 hours	E5 (E50,000 divided by 10,000 units)
Variable-2 hours	E8 (E80,000 divided by 10,000 units)

Actual Results/Data

Material - 25,000 kgs of materials were purchased at E2.10 per kg. Twenty-four thousand (24,000) kgs of materials were used. Labour-17 000 hours costing E42,500, Overhead-variable E69,000 ; fixed E43,000. Actual units produced - 9000.

Required: Compute the following:

- a) material purchase price variance (5 Marks)
- b) material quantity (usage) variance (5 Marks)
- c) wage rate variance (5 Marks)
- d) labour efficiency variance (5 Marks)
- e) variable overhead spending variance (5 Marks)
- f) variable overhead efficiency variance (5 Marks)
- g) fixed overhead spending variance (5 Marks)
- h) fixed overhead denominator variance (5 Marks)

(Total:40 Marks)

QUESTION TWO

The budget for Kwasa-kwasa Ltd for the first quarter of operations for year 2005 are shown below:

	January	February	March
Credit sales	E80,000	E70,000	E86,000
Credit purchases	34,000	32,000	40,000
Cash disbursements:			
Wages and salaries	4,000	3,500	4,200
Rent	1,500	1,500	1,500
Equipment purchases	25,000	-	2,000

The company estimates that 10 percent of its credit sales will never be collected. Of those that will be collected, one half will be collected in the month of sale and the remainder will be collected in the following month. Purchases on account will all be paid for in the month following purchase. 2004 December sales were E90,000. Beginning cash balance in January 2005 was E100,000. Depreciation on equipment is E2000 a month.

Required:

- a) Prepare a cash budget for the three months (January - March) (25 Marks)
- b) What are the advantages of preparing a cash budget? (5 Marks)

(Total: 30 Marks)

QUESTION THREE

A. Nkonko Ltd uses a job-order cost system and applies factory overhead to production orders on the basis of direct - labour cost. The overhead rates for year 2004 were 200 percent for Department A and 50 percent for Department B. Job 120, which was started and completed during year 2004, was charged with the following costs:

	Department	
	A	B
Direct materials	E25,000	E5,000
Direct Labour	?	30,000
Factory overhead	40,000	?

Required:

Compute the total manufacturing costs to be charged to job 120.

(6 Marks)

B. Kalimango Ltd employs a process costing system. Units are processed through Department A and then packaged in Department B. The following costs were incurred by Department A during January 2004.

Direct materials		E23,100
Conversion costs:		
Direct labour	E10,500	
Variable overhead	2,340	
Fixed overhead	<u>2,000</u>	<u>E14,840</u>
Total		<u>E37,940</u>

Direct materials are introduced at various stages of the process. All conversion costs are incurred evenly throughout the process. There was no beginning inventory at January 1. Of the 1,100 units started during January 1, 900 were completed and transferred to Department B. Engineers estimated that the units in process at January 31 were 75 percent complete as to direct materials and 80 percent complete as to conversion costs.

Required:

- Compute equivalent units of materials (4 Marks)
- Compute equivalent units of conversion costs (4 Marks)
- Compute cost per equivalent unit of materials (4 Marks)
- Compute cost per equivalent unit of conversion costs (4 Marks)
- Compute cost of work completed (4 Marks)
- Compute the cost of ending work in process inventory (4 Marks)

(Total:30 Marks)

QUESTION FOUR

- A. i) In the context of the output from a factory of a group of workers, distinguish between "production" and productivity (4 Marks).
- ii) Jabu, Jay and Joy are members of a work team which makes a standard component. The expected output from the group is 21 000 components per week, with each worker working a 50 hour week for a basic rate of pay of E3.80 per hour worked. In addition to basic pay, a bonus of 50% of the team's productivity index in excess of 100 is added as a percentage to the basic hourly rate.

During week 30. the hours worked by each member of the team were:
 Jabu 40 hours
 Jay 37 hours
 Joy 43 hours
 And the output for the week was 24000 components.

Required: compute the following:

- a) The productivity in index of the team (4 Marks)
- b) The effective hourly rate paid to each member of the team (4 Marks)
- c) The wage rate variance (4 Marks)

B. The following miscellaneous data have been collected for the month of April, 2005.

Raw Materials

Opening inventory (1 April 2005) - 300 pieces @ E2.50
 Purchases for April 900 pieces @ £2.75
 Closing stock/inventory (30 April 2005) - 200 pieces.
 Additional cost data:
 Direct labour E2250
 Factory overheads 2725

Finished Goods

Opening inventory (30 April, 2004) 200 units @ E7
 Sales 1100 @ E30
 Closing inventory (30 April 2005) 100 units

QUESTION FOUR CONTINUED

Required:

Determine the following, assuming the FIFO method of inventory valuation throughout this question:

- i) the number of units of product manufactured during April 2005 (4 Marks)
- ii) the cost of raw materials consumed during April 2005 (4 Marks)
- iii) the cost of finished good manufactured during April 2005 (4 Marks)
- iv) unit cost (cost per unit) of the goods manufactured during April 2005 (2 Marks)

(Total:30 Marks)