UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

MAIN EXAMINATION PAPER , MAY 2006

DEGREE/DIPLOMA AND YEAR OF STUDY	:	DIP COM II
TITLE OF PAPER	:	COST ACCOUNITNG
COURSE CODE	:	AC 203
TIME ALLOWED	:	TWO 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

Thuthukani Ltd manufactures product X and uses a standard costing system. The budgeted figures for March 2006 were as follows:

Direct material per unit	10kgs @ E0.25	= E2.50
Direct labour per unit	8 hours @ E1.40	= E11.20
Variable manufacturing overhead per unit		= E2.40
Fixed manufacturing overheads	E40,000 per month	
Production	10000 units	

Manufacturing overheads are absorbed on the basis of direct labour hours.
The actual results for March 2006 were as follows:

Direct materials purchased and issued to production	89 000 kgs @ E0.27 per kg
Direct labour cost	E96,480
Actual labour cost was	E1.44 per hour
Manufacturing overheads:	
Variable	E18,090
Fixed	E37,000
Completed units	8,000

Required:

Calculate the following variances:

a)	Direct materials price variance	(5	Marks)
b)	Direct materials quantity/usage variance	(5	Marks)
c)	Direct labour rate variance	(5	Marks)
d)	Labour Efficiency variance	(5	Marks)
e)	Variable overhead spending/expenditure variance	(5	Marks)
f)	Variable overhead efficiency variance	(5	Marks)
g)	Fixed overhead spending/expenditure variance	(5	Marks)
h)	Fixed overhead volume/denominator variance	(5	Marks)
		Total (40	Marks)

QUESTION 2

a) If there is a change in the level of the cost driver, eg out put, what will be the effect on the following?

i) variable cost per unit (3 Marks)
ii) total variable costs (3 Marks)
iii) fixed cost per unit (3 Marks)
iv) total fixed costs (3 Marks)

b) Sobantu Ltd received the following monthly reports from its newly hired cost accountant:

Sobantu Ltd
Cost of Goods sold Schedule

Finished Goods Inventory (beginning)			E15,000
Work-in-process inventory (beginning)			E 3,000
			E18,000
Current manufacturing costs:			
Salaries and wages:			
Direct manufacturing labour	E5000		
Indirect manufacturing labour	E2000		
Sales salaries	E4000		
Administrative	E3000	E14,000	
Other:			
Manufacturing supplies	E1500		
Manufacturing depreciation	E3500		
Insurance on showroom	E1000		
Miscellaneous factory overhead	E6500	E12,500	E26,500
Total work-in-process			E44,500
Ending work-in-process and finished Goods inventory			0
Cost of Goods sold			E44,500

Sobantu Ltd
Profit Statement

Sales		E100,000
Less direct materials		E 20,000
Gross profit		E 80,000
Less other expenses:		
Cost of Goods sold	E44,500	
Office supplies	E 250	
Manufacturing utilities	E 1,000	
Office utilities	250	E 46,000
Net Profit		E 34,000

Required:

i) Prepare a cost of goods manufactured statement in good form (9 Marks)

ii) Prepare a profit statement in good form (9 Marks)

Total (30 Marks)

QUESTION 3

a) The fixed cost of operating the maintenance facility of Siteki Hospital is E9,000,000 annually. It incurs variable costs at the rate of E60 per labour-hour of maintenance. The facility averages 80,000 maintenance hours a year. Budgeted and actual hours per user for 2006 were as follows:

	Budgeted Hours	**Actual Hours**
Building and grounds	20,000	24,000
Operating and emergency	16,000	16,000
Patient care	42,000	44,000
Administration	2,000	2,400
Total	80,000	86,400

Required:

i) How much would each department receive in maintenance costs if a single rate is used on budgeted hours? (10 Marks)

ii) How much would each department receive in maintenance costs if a dual rate is used with fixed costs allocated on budgeted hours and variable costs allocated on actual hours? (10 Marks)

b) The following information is given:

Freight inwards	E 4,000
Stock (1/1/2005)	E20,000
Purchases	E36,000
Sales of finished goods	E54,000

Additional information:

- A fire broke out in the ware house on the night of December 31st, 2005. The fire – fighting teams managed to salvage E10,000 worth of stock.
- The gross profit percentage on cost price is 25%

Required:

Calculate the value of stock destroyed (10 Marks)

Total (30 Marks)

QUESTION 4

The following information is available for Sandlane Producers Ltd for the month of March 2006.

Current inputs (50,000 units)	
Materials	E144,400
Direct labour	E 91,400
Overheads (50% of labour)	
Transfer to process II	42 000 units
Closing work-in-progress	5000 units
Normal loss	2000 units
Abnormal loss	1000 units

Additional information:

i) Closing work-in-progress is 100% complete with respect to materials and 60% complete with respect to conversion costs.

ii) The normal loss is caused by inevitable evaporation due to the nature of the chemical combination of elements contained in the materials. This loss is detected at the final (inspection stage of the process).

iii) Abnormal losses are detected when the units are 100% complete with respect to materials and 70% complete with respect to conversation costs.

iv) Losses are sold at scrap value of E0.20 per unit.

Required:

a) Table of equivalent units (9 Marks)

b) Manufacturing work-in-process account for process 1 (9 Marks)

c) Values of completed units, abnormal loss and ending work-in-process (12 Marks)

Total (30 Marks)