

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION PAPER, 2006

DEGREE/DIPLOMA AND YEAR OF STUDY : DIP COM II
TITLE OF PAPER : COST ACCOUNTING
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

- a) Write short notes on the following terms encountered in process costing:
- i) Waste (6 Marks)
 - ii) normal loss (6 Marks)
 - iii) equivalent units (6 Marks)
- b) Makhonza Clinic uses a job cost system for all patients who have surgery. In January 2006, the pre-operating room ((PRE –OP) and the operating room (OR) had budgeted allocation basis of 2000 nursing hours and 1000 nursing hours respectively. The budgeted nursing overhead charges for each department for the month were E84,000 and E66,000 respectively. The hospital floor for surgery patients had budgeted overhead costs of E600,000 and 7500 nursing hours for the month. For patient Sidudla Dlamini , actual hours incurred were eight and four hours, respectively, in the PRE-OP and OR rooms. She was in the hospital for 4 days (96 hours). Other costs related to Sidudla were:

	PRE-OP	OR	In-room
	<u>Costs</u>	<u>Costs</u>	<u>Costs</u>
Patient medicine	E100	E250	E1200
Direct nursing time	E2400	E250	E5400

The clinic uses a budgeted overhead rate for applying overhead to patient stays.

Required:

- i) Determine the budgeted nursing overhead rate for PRE-OP cost (6 Marks)
 - ii) Determine the budgeted nursing overhead rate for OR cost (6 Marks)
 - iii) Determine the budgeted overhead rate for the hospital floor for surgery (5 Marks)
 - iv) Determine the total cost of stay of patient Sidudla Dlamini (5 Marks)
- Total (40 Marks)

QUESTION 2

a) For each of the following cost pools, select an appropriate allocation base from the list below if the overall cost object is to assign costs to production departments. Each base can be used only once. Assume a manufacturing company cost pools:

- i) Vice-President of finance's office expenses
- ii) Computer operations used in conjunction with manufacturing
- iii) Personnel Department
- iv) Manufacturing machinery cost
- v) Energy costs

(10 Marks)

Allocation bases for which the information system can provide data:

1. Employee wages and salaries per department
2. Number of employees per department
3. production facility square metre
4. Hours of operation by production department
5. Machine hours by department
6. Machine's per department
7. Operations costs of each department
8. Hours of computer use per month per department
9. Indirect labour – hours per department

b) The wage clerk of Zameya Ltd prepared the following wage analysis for the second week of March, 2006.

	Hours Worked
Monday	10
Tuesday	8
Wednesday	8
Thursday	8
Friday	9
Saturday	4
Sunday	<u>2</u>
	<u>49</u>

Additional information

- a) According to the tables supplied by Swaziland Income Tax Department, the pay as you earn (PAYE) deduction is 19% of taxable income.
- b) Burial Scheme deduction is equivalent to 1.5% of gross wages
- c) The employee's contribution to medical aid is 4% of gross wages excluding overtime. This is matched Lilangeni for Lilangeni by the employer . e.g if he contributes 4% the employer also contributes 4%.
- d) The pension fund contribution (based on normal time) is made up as follows:

Employee's contribution	8%
Employer's contribution	16%
- e) Guaranteed hourly rates are as follows:
normal time E10.50 per hour
- f) The normal working week extends from Monday to Friday for 8 hours per day. Any time worked in addition to this on weekdays and Saturdays is overtime at time and a half.
- g) Extra time worked on any other day in the calendar week is remunerated at double time

REQUIRED:

Calculate the wage due to the employee for the week in March 2006.

(20 Marks)
Total(30 Marks)

QUESTION 3

- a) What is the difference between actual output achieved (if it is more than break-even quantity) and the break-even quantity called? (7 Marks)
- b) Uniswa Sports Council is planning a fund-raising banquet at one of the local country clubs. It has two options for the banquet:
1. Manzini Country Club
 - a. Fixed rental cost of E600
 - b. E15 per person for food
 2. Matsapha Country Club
 - a. Fixed rental cost of E1080
 - b. A caterer who charges E12 per person for food

The Sport Council has budgeted E900 for administrative and marketing expenses. It plans to hire a band, which will cost another E400. Tickets are expected to sell for E40 per person. Any other items required for the event will be donated by its local business supporters.

Required:

- i) What is the break-even point in tickets sold for option one? (5 Marks)
- ii) What is the break-even point in tickets sold for option two? (5 Marks)
- iii) What is the "operation income" assuming 250 people attend and option one is chosen? (5 Marks)
- iv) What is the "Operating income" assuming 250 attend and Option two is chosen? (5 Marks)
- v) How many people must purchase tickets, assuming option Two is chosen and the sport Council expects to raise E4820 after tax. Assume tax rate of 40% and also that no one pays more than the cost of his/her ticket. (5 Marks)
- c) Themba performs a certain procedure for E400. His fixed costs are E8000, while his variable costs are E200 per procedure.

What is the margin of safety in number of times and money assuming 100 procedures are performed? (5 Marks)

Total (30 Marks)

QUESTION 4

Following is the standard cost sheet for ABC Ltd for the year ended 31/3/2006 for product KM.

	PER UNIT
Materials 7kg @ E2	E14
Labour:	
Grade X – 6 hours @ E8	E48
Grade Y – 3 Hours @ E12	E36
Standard cost of production	E98

Actual results for the year ended 31/3/2006 were as follows:

- i) Production volume for Product KM equalled 250000 units
- ii) Materials purchased for the year amounted to 197 000 kgs @ E2.05 per kg.
- iii) Materials issued to production amounted to 175 450 kgs
- iv) Direct Labour:
 - Grade X – 145 000 hrs @ E7.95
 - Grade Y – 76500 hrs @ E12.10

REQUIRED:

Prepare all the direct materials and direct labour variances based on the information given above.

Total (30 Marks)