UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION PAPER , 2008

DEGREE/DIPLOMA AND YEAR OF STUDY	: DIP COM II
TITLE OF PAPER	: INTRODUCTION TO COST ACCOUNITNG
COURSE CODE	: AC 203/IDE AC 203
TIME ALLOWED	: TWO (2) 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. 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: NONE

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

QUESTION ONE

Okwakhe Ltd manufactures and sells product X. The standard cost card for a unit of product X is as follows

Direct materials	4kgs @ E3	=E12
Direct labour	2 hours @ E4	=E 8
Variable overheads		=E 4
Fixed overheads		=E 2
Unit cost		=E26

Overheads are absorbed on the basis of direct labour hours. Budgeted production and sales were 9000 units to be sold at E30 each.

The actual results were as follows:
Production and sales 8,500 units sold for E297500
Direct materials purchased 40,000 kgs costing E100,000
Direct materials used 3,5000 kgs
Direct labour hours 17,500 costing E52,500
Variable factory overheads incurred E35,000
Fixed factory overheads incurred E16,500

REQUIRED: Compute the following variances:

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

QUESTION TWO

Sebenzani Ltd sells product km at a price of E120 per unit and incurs the following variable cost per unit of product.

Direct materials	E32
Direct labour	E24
Manufacturing overhead	E14
Total variable manufacturing costs	E70
Selling plus administration costs	E10
Total variable costs	E80

Sebenzani's annual fixed costs are E1,760,000
And the company is subjected to 30% income tax rate.

REQUIRED:

a) Compute the annual after-tax profit (loss) if 8000 units are produced and sold each month. (8 Marks)

b) Compute the break-even point in units and in Emalangeni (8 Marks)

c) Compute the sales in Emalangeni required to achieve a target after-tax profit of E448,000 for the year. (7 Marks)

d) Compute the contribution-margin ratio, assuming that direct materials and direct labour increased by 25%. (7 Marks)

(Total:30 Marks)

QUESTION THREE

a) Distinguish between a Joint-product and a By-product (9 Marks)

b) How are By-products normally accounted for? (6 Marks)

c) Amandla ESilo Ltd manufactures two products , Bio and Trio from the same material. The material costs EO. 80 per kilogramme and pass through two departments.

In Department 1, the material is split into Bio and Trio. Bio requires no further processing. Trio must be further processed in Department 2. The costs below pertain to the year ended November 30, 2007.

Department	Direct Materials	Direct Labour	Factory Overhead	Total
1	E144,000	E21,000	E15,000	E180,000
2	-	E10,000	E18,000	E 28,000
Totals	E144,000	E31,000	E33,000	E208,000

Product	Kilos sold	Kilos of fixed goods Ending inventory	Sales
BIO	30,000	15,000	E 52,500
TRIO	45,000	-	E150,750

There were no materials on hand at the end of the year.

REQUIRED:

Compute the allocation of joint costs between BIO and TRIO using the net realizable value method (15 Marks)

(Total:30 Marks)

QUESTION FOUR

The budget department of Phuthuma Ltd gathered the following data for the third quarter of 2007.

	July	August	September
Project sales (units)	1000	1500	1450
Selling price per unit	E40	E40	E40
Direct materials purchase requirements (units)	1300	2000	1800
Purchase price per unit	E20	E20	E20
Production requirement (units)	800	1300	1100

Direct labour hours	2 per complete unit
Direct labour rate	E12 per direct labour hour
Fixed factory overhead	E500 per month (including E200 depreciation)
Variable factory overhead	E1.50 per direct labour hour
Selling and administration expenses	5% of sales

Net profit before taxes:

July	E 6,000
August	E10,000
September	E 8,000

75% of sales are for cash and the 25% is collected one month after sales. 60% of purchases is paid during the month of purchase and the 40% is paid a month after purchases. All other expenses including tax are paid in the month incurred. Assume that the beginning cash balance on July 1, 2007 was E65,000 and that the tax rate is 40%.

REQUIRED:

Prepare a cash budget for the third quarter, 2007. (Total: 30 Marks)