

**UNIVERSITY OF SWAZILAND**

**DEPARTMENT OF ACCOUNTING**

**MAIN EXAMINATION PAPER, MAY 2009**

**DEGREE/DIPLOMA AND YEAR OF STUDY : DIP COM II**

**TITLE OF PAPER : INTRODUCTION TO COST ACCOUNTING**

**COURSE CODE : 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. 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**

Sisonke Ltd manufactures products MKV and uses a standard costing system. The budgeted figures for April 2009 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	8 hours @ E0.30	= E2.40
Total 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 April 2009 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
<b>Manufacturing overheads:</b>	
Variable	E18,090
Fixed	E37,000
Completed units	8,000

**Required:**

Calculate the following variances:

a) Total direct material variance	(2	Marks)
b) Direct materials price variance	(4	Marks)
c) Direct materials quantity/usage variance	(4	Marks)
d) Total direct labour variance	(2	Marks)
e) Direct Labour rate variance	(4	Marks)
f) Direct Labour efficiency variance	(4	Marks)
g) Total Variable overhead variance	(2	Marks)
h) Variable overhead spending variance	(4	Marks)
i) Variable overhead efficiency variance	(4	Marks)
j) Total Fixed overhead variance	(2	Marks)
k) Fixed overhead spending variance	(4	Marks)
l) Fixed overhead volume /Denominator variance	(4	Marks)
	<b>Total</b>	<b>(40 Marks)</b>

## QUESTION 2

A. Phenduka Ltd has the following sales and cost data for job order 40:

Direct Materials used	E300,000
Direct labour	250,000
Factory overhead (all indirect 70% of variable)	E120,000
Selling and administration expenses: (40% direct , 70% variable )	260,000

### REQUIRED:

Compute the following costs:

- |                |    |        |
|----------------|----|--------|
| i) Prime       | (4 | Marks) |
| ii) Conversion | (4 | Marks) |
| iii) Direct    | (4 | Marks) |
| iv) Indirect   | (4 | Marks) |
| v) Product     | (3 | Marks) |
| vi) Period     | (3 | Marks) |
| vii) Variable  | (4 | Marks) |
| viii) Fixed    | (4 | Marks) |
| Total (30      |    | Marks) |

**QUESTION 3**

A. The following information is given:

	E
Carriage outwards	3,000
Opening stock (1/1/2008)	20,000
Carriage inwards	4,000
Returns outwards	100
Import duty	1,000
Purchases	36,000
Advertising	2,000
Sales of finished goods	55,000

**Additional information:**

A fire broke out in the warehouse on night of 27 December 2008. The fire fighting team managed to salvage E14,000 worth of stock. The gross profit percentage on cost price is 25%

**REQUIRED:**

Calculate the cost of stock destroyed

(15 Marks)

B. Cece Ltd manufactures product X for the building industry. The following particulars were extracted from the labour records in 2nd March 2009.

Product X Produced (kg)	Actual labour hours worked	Employee Number
76	7	90
83	9	70
90	10	40
73	6	20

**Additional information**

- Normal working hours in a day are 8.
- Standard production is 10kg of product X per hour
- The basic wage rate is E20 per hour
- Overtime is paid at one and a half of the wage rate per hour
- The Rowen Scheme is used to pay the bonus for all employees

**REQUIRED:**

Compute the gross pay for the respective employees.

(15 Marks)

(Total :30 Marks)

**QUESTION 4**

Liso Ltd operates on Optical shop. The company's recent financial statements and records reveal the following:

	E
Average selling price per pair of glasses	700
<b>Variable expenses per pair:</b>	
Lenses and frames	280
Sales commission	120
Variable overhead	80
<b>Annual fixed costs:</b>	
Admin expenses	180,000
Selling expenses	480,000

The company's effective tax rate is 40%

Susan, the company director has asked you as a cost accountant to answer the following questions about the business

- i)
  - a) what is the break-even point in pairs of glasses (4 Marks)
  - b) in money (Emalangen)? (2 Marks)
  
- ii)
  - a) how many pairs of glasses would have to be sold to produce E800,000 of pretax earnings? (4 Marks)
  - b) and how much revenue must be generated to produce the E800,000 of pretax earnings (4 Marks)
  
- iii)
  - a) How many pairs of glasses must be sold to generate E800,000 of after tax profit (4 Marks)
  - b) How much revenue must be generated to produce this after-tax profit? (4 Marks)
  
- iv) Susan is considering adding a lens-grinding lab, which will save E60 per pair of glasses in lens cost, but will raise annual fixed costs by E800,000 she expects to sell 50,000 pairs of glasses. Should she make this investment. (4 Marks)
  
- v) A marketing consultant told Susan that she could increase the number of glasses sold by 30% if she would lower the selling price by 10% and spend E200,00 on advertising. She has been selling 30,000 pairs of glasses. Should she accept this advice?(4 Marks)

(Total :30 Marks)