

**UNIVERSITY OF SWAZILAND**  
**DEPARTMENT OF ACCOUNTING**  
**MAIN EXAMINATION PAPER, MAY 2010**

**DEGREE/DIPLOMA AND YEAR OF STUDY : DIP COM II**  
**TITLE OF PAPER : INTRODUCTION TO COST ACCOUNTING**  
**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. 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 ONE

The assembly department of Hlophe Manufacturers plc prepared the following standard product specification for Demition for January 2009.

Material	10 kg of Plexition @ E3.50 per kg
Labour	6 hours of skilled labour @ E55 per hour
Variable overheads	E30 per direct labour hour

**Actual results for January 2009 are as follows:**

### Finished goods

Opening stock (1 January 2009)	12 500 units
Closing stock (31 January 2009)	10 500 units
Sales (E750 per unit)	E19 050 000
Actual material issued to production	245 700kg
Actual material purchases	335,200 kg
Actual variable overhead incurred	E4 198 500

### Additional Information

- a) Skilled labour was remunerated at a rate of E56,25 per hour for January 2009. Actual hours worked amounted to 141 500 hours.
  
- b) Material is bought from Gorman Suppliers at an average price of E3,55 per kg.

### REQUIRED:

Compute all material, labour and variable overhead variances.

**Total (50 Marks)**

## QUESTION TWO

Zwane Meat Packers experienced the operating statistics in the table below for its joint meat cutting process during June 2009 its first month of operations. The costs of the joint process were: direct material, E24,400; direct labour E8,200; and overhead, E4,100. Products X, Y, and Z are main products, B is a by-product. The company's policy is to recognize the net realizable value of any by-product inventory at split-off and reduce the total joint cost by that amount. Neither the main products nor the by-product require any additional processing or disposal costs although management may consider additional processing.

Products	Weight	Sales Values at	Units	Units sold
	kg	Split-off	produced	
X	4,300	E66,000	3,220	2,720
Y	6,700	E43,000	8,370	7,070
Z	5,400	E11,200	4,320	E3,800
B	2,300	E2,300	4,600	4,000

### REQUIRED:

- Calculate the ending inventory values of each joint product based on (1) relative sales value and (2) kilograms **(18 Marks)**
- Discuss the advantage and disadvantages of each allocation base for (1) financial statement purposes and (1) decisions about the desirability of processing the joint products beyond the split-off point. **(7 Marks)**

**Total ( 25 Marks)**

### QUESTION THREE

Dlamini Construction Company uses a predetermined overhead rate to apply overhead to jobs, and the company employs a job order costing system. Overhead is applied to jobs in the Cutting Department based on the number of machine hours used, while Finishing Department overhead is applied on the basis of direct labour hours. In December 2009, the company estimated the following data for its two departments for the year 2010.

	<b>Cutting Dept</b>	<b>Finishing Dept</b>
Direct labour hours	500	2,500
Machine hours	7,500	500
Budgeted overhead cost	E30,000	E25,000

Job No 271 was started and completed during March 2010. the job cost sheet shows the following information:

	<b>Cutting Dept</b>	<b>Finishing Dept</b>
Direct materials	E2,800	E400
Direct labour cost	E60	E525
Direct labour hours	5	40
Machine hours	60	10

#### REQUIRED:

- Compute the predetermined overhead rate that should be used in each department of the Dlamini Construction Company. **( 10 Marks)**
- Compute the overhead applied to Job # 271 for each department and its total **( 10 Marks)**
- If the company had computed a companywide rate for overhead rather than departmental rates, do you feel that such a rate would be indicative of the actual overhead charges for each job? Why or why not? **( 5 Marks)**

**Total ( 25 Marks)**

#### QUESTION FOUR

- A. A company is currently using breakeven analysis, but the president is uncertain as to the uses of this analytical tool.

**REQUIRED:**

- i) Define breakeven point for the president and explain how it is computed. **( 4 Marks)**
- ii) Discuss the major uses of breakeven analysis **( 16 Marks)**

- B. Henry has a small plant that makes playhouses. He sells them to local customers at E3,000 each. His costs are as follows:

	<b>Costs</b>	
	<b>Per Unit</b>	<b>Total</b>
Direct materials	E1,400	
Direct labour	E200	
Variable selling	E125	
Variable selling	E75	
Fixed production overhead		E200,000
Fixed general, selling and Administrative		E80,420

Henry is in a 35% tax bracket.

**REQUIRED:**

- i) How many playhouses must he sell to earn E247,507 after taxes? **( 5 Marks)**

**Total ( 25 Marks)**

