

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER

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 : THREE (3) HOURS

- INSTRUCTIONS:
1. THE TOTAL NUMBER OF QUESTIONS ON THIS PAPER ARE FIVE (5)
 2. ANSWER QUESTION ONE AND ANY OTHER THREE 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 REQUIREMENT: GRAPH PAPER

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

QUESTION 1

ABC Ltd manufactures product X and this product is sold as soon as it is produced.

There are no opening or closing stocks and work in progress is negligible. The company operates a standard costing system and analysis of variances is made every month. The standard cost card for the product (X) is as follows:

Product X

Direct materials	4 kgs @ E5	= E20
Direct labour	5 hours @ E3	=E15
Variable factory overheads		=E10
Fixed factory overheads		=E5

Budgeted output and sales for the month of November 2009 was 5000 units. The standard selling price per unit was E55.

Actual results for the month were as follows:

- production and sales were 4800 units and all units were sold for E288,000
- materials bought and consumed in production amounted to 21000 kgs costing E84,000
- Direct labour hours worked and paid for were 24,500 costing E61,250
- Variable factory overhead costs were E50,000
- Fixed factory overhead costs were E25,000
- Required: Compute all the relevant variances including the total variances

(25 Marks)

Question 2

Tenele Ltd produced two films (movies) in year 2010. These movies are joint products. Tanele Ltd also generated revenue from admissions paid by fans touring the movie production sets. The company regarded the net profit from tours as a by – product of movie production. The company accounted for this income as a reduction in the joint before that joint cost is allocated to movies. The following information pertained to the two movies.

Products	Total receipts	Separable costs
Movie 1	E4,000,000	E2,4000,000
Movie 2	E27,000,000	E18,600,000
Tours	E300,000	E140,000

The joint cost incurred to produce the two movies was E8,000,000. Joint costs are allocated based on net realizable value.

Required:

- a) distinguish between a joint product and a by product. (9 Marks)
 - b) how much of the joint cost was allocated to each movie? (10 Marks)
 - c) how much profit was generated by each movie? (6 Marks)
- Total: (25 Marks)

Question 3

You are given the following information:

Total sales revenue	E750,000
Total units sold	15,000
Break even units	10,000
Break even value	E500,000
Total cost	E600,000
Total fixed costs	E300,000

Required:

- a) use this information to draw a break-even graph (9 Marks)
- b) the following must also be indicated clearly on the graph
 - i) profit area (4 Marks)
 - ii) loss area (4 Marks)
 - iii) contribution margin (4 Marks)
 - iv) margin of safety (4 Marks)

Total (25 Marks)

Question 4

ABC Ltd manufactures product Y. The following details regarding production for March 2010 are available:

i) current inputs for March

(material (90,000 units) E498,600

Conversion costs E308,280

ii) Closing work-in process amounted to 24000 units and the degree of completion were:

Direct materials 100%

Conversion costs 70% complete

iii) The transfer to finished goods storeroom amounted to 58,000 units

iv) Normal loss is equivalent to 2% of current input, and together with any other losses, it is deemed to occur when production is fully completed.

Required: complete the following

a) value of completed units (9 Marks)

b) value of abnormal loss (9 Marks)

c) value of ending work in process (7 Marks)

Total (25 Marks)

Question 5

- A) In inventory control there are costs associated with overstocking and holding stock.

Required: Briefly list these costs (14 Marks)

The following employees are paid on an hourly basis:

<u>Employee</u>	<u>Normal Time</u>	<u>Overtime</u>	<u>Sunday</u>	<u>Normal Rate</u>
Khanu	45	-	5	E10.70
Sihle	42	-	8	E8.40
Bizi	43	4	-	E7.60
Themba	45	6	-	E12.80

Overtime hours are paid at one and one-half time of the normal rate hourly rate. On Sunday, overtime hours are paid at two times of the normal hourly rate.

Required: calculate the gross remuneration of each employee for the week (25 Marks)

- i) Khan (2 ½ Marks)
- ii) Sihle (2 ½ Marks)
- iii) Bizi (3 Marks)
- iv) Themba (3 Marks)

(Total: 25 Marks)