

**UNIVERSITY OF SWAZILAND**  
**DEPARTMENT OF ACCOUNTING**  
**SUPPLEMENTARY EXAMINATION PAPER, 2011**

**DEGREE/DIPLOMA AND YEAR OF STUDY : DIP.COM 11**  
**TITLE OF PAPER : INTRODUCTION TO COST ACCOUNTING**  
**COURSE CODE : AC 203/IDE 203**  
**TIME ALLOWED : THREE 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 REQUIREMENTS: NONE**

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

**QUESTION 1**

Khizitho Ltd manufactures product X. It uses a standard costing system. The budgeted figures for March 2010 were as follows:

Direct material per unit	20kg @ E0.50 per kg
Direct labour per unit	16 hours @ E2.80/hr
Variable manufacturing overhead per hour	16 hours @ E0.60/hr
Fixed manufacturing overheads	E80,000 per month
Production	20,000 units

The actual results for March 2010 were as follows:

Direct materials purchased and issued to	
Production	178,000 kg @ E0.54
Direct labour cost	E192,960
Actual labour cost	E2.88 per hour
Manufacturing overheads variable	E36 180
Fixed	E74,000
Completed units	16,000

**Required: Compute the following variances :**

- |    |  |                          |
|----|--|--------------------------|
| a) | Material price variance                          | <b>(3 Marks)</b>         |
| b) | Material usage variance                          | <b>(3 Marks)</b>         |
| c) | Labour rate variance                             | <b>(3 Marks)</b>         |
| d) | Labour efficiency variance                       | <b>(3 Marks)</b>         |
| e) | Variance overhead spending /expenditure variance | <b>(3 Marks)</b>         |
| f) | Variable overhead efficiency variance            | <b>(3 Marks)</b>         |
| g) | fixed overhead spending variance                 | <b>(3 Marks)</b>         |
| h) | fixed overhead denominator/volume variance       | <b>(3 Marks)</b>         |
|    |  | <b>( Total 25 Marks)</b> |

**QUESTION 2**

A) Write brief notes on the following:

i) Break-even point (5 Marks)

ii) Margin of safety (5 Marks)

B) Bashasha Ltd has a small plant that produces product X. the selling price per unit of X is E3000. The cost of product X are as follows:

	Cost Per unit	Total
Direct materials	E1,400	
Direct Labour	200	
Variable overhead	125	
Variable selling	75	
Fixed production overhead		E200,000
Fixed general, selling and Administrative		E80,420

Bashasha is in a 35% tax bracket.

**Required:**

i) How many units of X must Bashasha sell to earn E247,507 after taxes? (5 Marks)

ii) What are the limitations or assumptions of cost-volume profit analysis?. (10 Marks)

( Total 25 Marks)

**QUESTION 3**

- A. Distinguish between joint products and by-products (7 Marks)
- B. A certain joint product yields two joint products, A and B. The joint Products, A and B. the joint cost for May 2010 is E80,000 and sales value of the output at the split –off is E120,000 for Product A and E100,000 for product B.

Management is trying to decide whether to process the products further. If the products are processed beyond split –off, the sales value will E180,000 for Product A and E140,000 for Product B. The Addition costs of processing are expected to be E70,000 for A and E34,000 for B.

**Required:**

- i) Should management process the products further? Show computations (14 Marks)
- ii) Were there any revenues and/or costs that are not relevant to the decision?  
If so, what are they? ( 4 Marks)

(Total 25 Marks)

**QUESTION 4**

KZN Ltd uses a budgeted overhead rate in applying/absorbing overhead to production orders on a labour-cost basis for Department A and on a machine hour basis for Department B. At the beginning of 2010, the company made the following predictions:

	<u>Department A</u>	<u>Department B</u>
Direct labour cost	E128,000	E35,000
Factory overhead	144,000	150,000
Direct labour hours	16,000	5,000
Machine hours	1,000	20,000

**Required:**

a) What is the budgeted overhead absorption that should be used in Dept A? and in Dept B? **(5 Marks)**

b) During the month of January, the cost record job order no.200 show the following:

	<u>Department A</u>	<u>Department B</u>
Material requisitioned	E128,000	E35,000
Direct labour cost	144,000	150,000
Direct labours	16,000	5,000
Machine hours	1,000	20,000

What is the total overhead cost of job order No.200? **(5 Marks)**

c) Assuming that job No.200 consisted of 20 units of product, what is the unit cost of job No.200? **(5 Marks)**

d) At the end of 2010 it was found that actual factory-overhead costs amounted to E160,000 in Department A and E138,000 in Department B.

Suppose the direct labour cost was E148,000 in Department A and the actual machine-hours in Department B were 18000. Compute the over-applied or under-applied amount for each department and for the factory as a whole. **(10 Marks)**

**(Total 25 Marks)**

**QUESTION 5**

Ranseli plc produces and sells Dextrons and Fextons. The following information is presented to you for 2009.

**Forecasted Sales for 2009**

It is envisaged that 42 000 Dextrons and 38 000 Fextons at a price of E420 and E510 respectively will be sold for the period under review.

	1 January 2009	31 December 2009
Dextrons (units)	8 200	6 800
Fextons (units)	11 500	8 800

The production manager provides the following details regarding raw material utilization:

**Amount used per unit**

Direct materials	Measurement unit	Dextrons	Fextons
XX	kg	4	3
YY	kg	3	5
ZZ	litres	4	3

Additional information pertaining to raw materials is given below:

Opening Stock	Closing Stock	Purchase price	
Material		(per unit)	Type
1 January 2009	31 December 2009		
75 000 kg	70 000 kg	E17	XX
20 000 kg	30 000 kg	16	YY
14 600 litres	16 000 litres	12	ZZ

**QUESTION 5 continued**

The following information relates to labour for 2009.

<b>Hours per unit</b>	<b>Wage rate (per hour)</b>	<b>Type of product</b>
5	E18	Dextrons
6	15	Fextons

**REQUIRED**

Prepare the following budgets (having separate column for the two products, where applicable) for 2009.

- (a) Sales budget **(4 Marks)**
- (b) Production budget **(7 Marks)**
- (c) Direct material purchases budget in monetary values **(7 Marks)**
- (d) Labour budget **(7 Marks)**

**Total (25 Marks)**