

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION PAPER, JULY 2013

DEGREE/DIPLOMA AND YEAR STUDY: IDE D COM YEAR 2

TITLE OF PAPER : INTRODUCTION TO COST ACCOUNTING

COURSE CODE : IDE AC203(S)2012/2013

TIME ALLOWED : THREE (3) HOURS

INSTRUCTIONS

1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER: FOUR (4)
2. ANSWER ALL
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 BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.

QUESTION 1: COST VOLUME PROFIT (CVP) COMPUTATIONS

REQUIRED :

A. Fill in the blanks for each of the following independent cases

Case	Revenues	Variable Costs	Fixed Costs	Total Costs	Net Profit	Contribution Margin %
	E	E	E	E	E	
a	-	500	-	800	1,200	-
b	2,000	-	300	-	200	-
c	1,000	700	-	1,000	-	-
d	1,500	-	300	-	-	40%

B. Fill in the blanks for each of the following independent cases

Case	Selling Price	Variable Costs Per unit	Total units Sold	Total Contribution Margin	Total fixed costs	Net Profit
	E	E	E	E	E	
A	30	20	70,000	-	-	-15,000
B	25	-	180,000	900,000	800,000	-
C	-	10	150,000	300,000	220,000	-
D	20	14	-	120,000	-	12,000

(30 marks)

QUESTION 2: BUDGETING PROFITS FOR THREE MONTHS

The budget of Matsapha Trading Company has the following data. Prepare the budgeted profit and loss statement for April, May, and June for 2013.

1	Sales in March were E31,300. You forecast that monthly sales will increase 1.3 % in each of the three months.	
2	The company maintains inventory of E8,000 plus 20% of sales budgeted for the following month. Monthly purchases average 55% of sales. Budgeted inventory on March 31 is E12,000. Sales budgeted for July are E30,600.	
3	Monthly salaries amount to E3,000. Sales commissions equal 5% of sales.	
4	Other monthly expenses are:	
	Rent expense	E2,700, paid as incurred
	Depreciation expense	E500
	Insurance expense	E100, expiration of prepaid
	Miscellaneous expense	3% of sales
	Company tax	30% of income from operations

REQUIRED :

Prepare Matsapha Trading Company's budgeted profit and loss statement for April, May, and June 2013. Show cost of goods sold computation. Round all amounts to the nearest E100.

(20 marks)

QUESTION 3: VALUATION OF ENDING INVENTORY

A company uses a perpetual inventory system. The following transactions took place during March 2013.

DATE	E
01.03.13	Balance of 5 units at a total cost of E1,750 and 19 units @ E355 per unit.
05.03.13	Issue 13 units.
07.03.13	Purchase 18 units at a total cost of E6,480.
10.03.13	Issue 15 units.
13.03.13	Return 3 units to the supplier (purchased 07.03.13). The supplier did not replace these units.
19.03.13	Purchase 17 units @ E370 each.
21.03.13	Purchase 5 units @ E375 each.
22.03.13	Issue 21 units.
25.03.13	Return 4 units to the store room.
27.03.13	Purchase 16 units @ E365 each.
29.03.13	Issue 14 units.
30.03.13	Return 2 units to the store room.
31.03.13	Issue 6 units

Calculate the value of closing inventory using the:

a	FIFO method	(10 marks)
b	LIFO method	(20 marks)
c	Weighted average method.	(10 marks)

(40 marks)

QUESTION 4.OVERHEAD ABSORPTION RATES

A. OVER ABSORBED OVERHEAD OCCUR WHEN

1	Absorbed overheads exceeds actual overheads.
2	Absorbed overheads exceeds budgeted overheads.
3	Actual overheads exceeded budgeted overheads.
4	Budgeted overheads exceed absorbed overheads.

B. BASED ON THE DATA GIVEN BELOW,WHAT IS THE OVERHEAD ABSORPTION RATE PER LABOUR HOUR?

Budgeted labour hours	8,500
Budgeted overheads	E148,750
Actual labour hours	7,928
Actual overheads	E146,200
A.	E17.50 per hour
B.	E17.20 per hour
C.	E18.44 per hour
D.	E18.76 per hour

C. BASED ON THE DATA GIVEN FOR ITEM A,WHAT IS THE AMOUNT OF OVERHEADS UNDER OR OVER ABSORBED?

	E
A.	2,550 under absorbed
B.	2,529 over absorbed
C.	2,550 over absorbed
D.	7,460 under absorbed
E.	10,010 under absorbed

TOTAL FOR THE QUESTION

(10 marks)

TOTAL FOR THE PAPER

(100 marks)