COURSE CODE: AC 214 (M) 2012

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

MAIN EXAMINATION PAPER

DEGREE/DIPLOMA AND YEAR OF STUDY	:	B. COMM II
TITLE OF PAPER	:	INTRODUCTION COST ACCOUNTING
COURSE CODE	:	AC 214
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 ACCURANCY 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 produces a single product, Product X. it uses two(2) workers, A and B to produce the product.
Factory overheads are absorbed on direct –labour hour basis. The total budgeted factory overhead costs and direct labour hours for year 2012 are E100,000 and 50 000 hours respectively.

ABC Ltd remunerates overtime at 1 ½ times the normal rate. Bonus is paid under the Halsey scheme. Normal working hours are 40% per week. The following information relate to the first week of January 2012 where 180 units of Product X were produced.

		Direct materials
January 1	opening stock	50 kgs @ E2.00
January 2	purchases	100kgs @ E2.50
January 3	Issues	60 kgs
January 4	Purchases	80kgs @ E3.50
January 5	Issues	100 kgs

Direct labour

Employee A	Output achieved :	90 units
	Actual time taken	45 hours
	Basic wage rate per hour	E10
	Each unit of Product X is allowed	20 minutes.
Employee B		
	Output achieved :	90 units
	Actual time taken	43 hours
	Basic wage rate per hour	E6
	Each unit of Product X is allowed	30 minutes.

REQUIRED: Compute the total production costs incurred to produce the 180 units of Product X. Assume the Last –in – First- Out (LIFO) method to value inventory of direct material (raw materials)

Total (25 Marks)

Question 2

Akona Ltd uses a predetermined overhead rate in applying overhead 10 order ona labour cost basis for Department A and ona machine-hour basis for Department B. At the beginning of 2010, the company made the following predictions:

	Dept A	**DEPT B**
Direct laobur cost	E128000	E35,000
Factory overhead	144000	150,000
Direct-labour hours	16,000	5,000
Machine-hours	7000	20,000

REQUIRED:

a) Determine the predicted overhead rate that should be used in Department A and Department B (5 Marks)

b) During the month of January, the cost sheet for production order no.300 shows the following:

	DEPT A	**DEPT B**
Materials requisitioned	E20.00	E40,00
Direct-labour cost	32.00	21,00
Direct-labour hours	4	3
Machine-hours	1	13

Determine the total overhead cost of production order no. 300. (4 Marks)

c) Assuming that Job no.300 consisted of 20 units of product, what is he unit cost of Job no.300 (10 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.

REQUIRED:

Give the over or under applied overhead amount for each department and the factory as a whole. Assume that total actual direct-labour costs and machine hours conformed with the original predictions (6 Marks)

Total (25 Marks)

Question 3

Siza Ltd operates a single process from which its product Dex emerges. The following details regarding production for November 2012 are available:

There was no beginning work-in process
Unit started – 10,000. During November, 6000 units were fully completed and transferred to finished goods inventory. Normal loses are 10% of input. Ending work in-process was 1500 units which were 100% complete with respect to direct materials, 80% complete with respect to direct labour, and 60% complete with respect to factory overheads. Losses are deemed to occur when production is fully completed. Loses are sold as scrap for E0.10 per unit.

Input for November, 2012:
Materials E36100
Direct labour E26100
Factory overheads E16800

REQUIRED: Compute the following :

a) value of completed units	(5 Marks)
b) value of abnormal loss	(5 Marks)
c) value of ending work-in process	(5 Marks)
d) prepare the work in process account	(5 Marks)
e) prepare the abnormal loss account	(5 Marks)
	Total (25 Marks)

Question 5

Simo Ltd produces camping tents. Production takes place in three departments, namely cutting, sewing and finishing. There are two service departments namely, personnel and inspection. Shown below is an extract from the budget for the manufacture of 8800 tents for the year ended 30 November 2012:

	Production Departments			Service Departments	
	Cutting	Sewing	Finishing	Personnel	Inspection
Budgeted Overheads	411525	E72850	E82900	E118500	E92200
Allocation of Overhead	18%	38%	29%	-	15%
Personnel	45%	13%	32%	10%	-

REQUIRED:
Allocate the service departments' or overhead costs to the production cost centres using the repeated distribution method. Confirm your answer by using the method of simulteneous equations. (Start with the personnel Department)

Total (25 Marks)