

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION – JULY 2013

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**DEGREE AND YEAR OF STUDY** : **B.COM. II**  
**TITLE OF PAPER** : **INTRODUCTION TO COST ACCOUNTING**  
**TIME ALLOWED** : **THREE (3) HOURS**

**INSTRUCTIONS:**

1. **TOTAL NUMBER OF QUESTIONS ON THIS PAPER: FOUR (4)**
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 PRESENTAION OF YOUR FINAL ANSWER .

**SPECIAL REQUIREMENTS:** GRAPH PAPER

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

**Question 1**

Mjuju Ltd produces two joint products, A and B: The following information is given.

		<b>Case 1</b>	<b>Case 2</b>	<b>Case 3</b>	<b>Case 4</b>
Total joint cost		E540	E1800	E720	E2700
Units produced:	A	100	200	100	400
	B	200	300	300	500
Selling prices per unit					
At split-off point:	A	E6.00	E3.50	E7.00	E5.00
	B	E1.55	E6.00	E1.00	E4.00
Total estimated additional					
Processing costs after					
Split-off:	A	E145	E210	E160	E550
	B	E135	E420	E350	E700
Selling prices per unit					
after additional					
processing	A	E7.80	E5.00	E8.20	E6.00
	B	E1.80	E7.00	E2.00	E6.20

**REQUIRED:**

- a) Compute the allocation of the joint costs to each product using the sales value at split-off method . (13 marks)
- b) Would it be profitable to further process either or both products show supporting computations. (12 Marks)

Total (25 Marks)

## Question 2

- A. Vuthela Ltd uses a job order cost system and applies factory overhead to production orders on the basis of direct labour cost base. The overhead rates for 2012 for Department A and 50% for Department B. Job 123 started and completed during 2012, was charged with the following costs:

	Department	
	A	B
Direct materials	E25,000	E5,000
Direct labour	?	30,000
Factory overhead	40000	?

REQUIRED: What would be the total manufacturing costs charged to job 123? (10 Marks)

- B. Bafana Ltd has budgeted the following performance for 2012:

Units	100,000
Sales	E110,000
Total variable expenses	65,000
Total fixed expenses	40,000
Net profit	5,000
Factory overhead:	
Variable	5,000
Fixed	30,000
Beginning inventories	none

It is now the end of 2012. A factory-overhead rate of E0.35 per unit was used throughout the year for costing product. The total factory overhead incurred was E35,000. Overapplied factory incurred was E2100. There is no work in process.

REQUIRED: Determine the number of units that were produced during 2012. (5 Marks)

## Question 2 Continued

C. You are given the following information:

	<b>Department A</b>	<b>Department B</b>
Actual factory overhead	E780,000	E632,000
Over applied factory overhead	E20,000	
Actual direct labour hours	E50,000	21,000
Underapplied factory overhead		E23,000

REQUIRED: Compute the budgeted overhead rate(absorption rate) for each department.

(10 Marks)

Total (25 Marks)

**Question 3**

Khutsala Ltd employs a process-costing system. Units are processed through Department A and then packaged in Department B. The following costs were incurred by Department A during January 2012:

Direct materials	E23,100	
Conversion costs:		
Direct labour	E10500	
Variable overhead	2340	
Fixed overhead	<u>2000</u>	<u>14,840</u>
Total		E37,940

Direct materials are introduced at various stages of the process. All conversion costs are incurred evenly throughout the process. There was no beginning inventory at January 1, 2012. Of the 1100 units started during January, 900 were completed and transferred to Department B. Engineers estimated that the units in process at January 31 were 75% complete as to direct materials and 80% complete as to conversion costs:

- REQUIRED:**
- a) Compute the equivalent units of materials ( 5 Marks)
  - b) Compute the equivalent units of conversion costs ( 4 Marks)
  - c) Compute the cost per equivalent unit of materials ( 4 Marks)
  - d) Compute the cost per equivalent unit of conversion costs (4 Marks)
  - e) Compute the cost of work completed (4 Marks)
  - f) Compute the cost of ending work in process inventory (4 Marks)
- Total ( 25 Marks)

**Question 4**

a) Distinguish between a direct cost and an overhead cost

( 5 Marks)

b) The following manufacturing overheads have been primarily allocated and apportioned to the following cost centres:

Machining	E625,200
Assembly	429,800
Polishing	330,500
Maintenance	268,550
Stores	175,900

Overheads are allocated to cost centres as follows:

	Machining	Assembly	Polishing	Maintenance	Stores
	<u>Dept</u>	<u>Dept</u>	<u>Dept</u>	<u>Dept</u>	<u>Dept</u>
Maintenance	20%	25%	385	-	175
Stores	185	28%	48%	6%	-

**REQUIRED:** Calculate the production overhead charges for the three production departments using the method of simultaneous equations, including the re-apportionment from the two service cost centres.

( 10 Marks)

Total (25 Marks)

## Question 5

The following particulars concerning two employees of Kapa Ltd are presented to you:

- a) Overtime pay is time and half of basic pay under all circumstances.
- b) Zama is engaged in job 13, while Sive was employed exclusively to complete job 15.
- c) Mr. M. Dlamini, an employee benefits expert from SRICO has evaluated the wages system and recommended that the Halsey Bonus Scheme for time saved applies to Zama. At the same time, the Rowan Bonus Scheme is deemed most appropriate for Sive. The basic wage rate of both employees is E8.50 per hour.
- d) Details of jobs and completion times for the week ended 15 October, 2012 are as follows:

Job	Employee	Time to complete (hours)
13	Zama	52
15	Sive	49

- e) Details of jobs, units produced and standard times for the week ended 15 October, 2012 are as follows:

Job	No. of units produced	Standard times (hrs/units)
13	117	2/3
15	125	½

- f) Employee contributions for the employees' Pension Fund amount to 7 ½ % of gross normal wages.
- g) Standard employee taxation deduction amounts to 12% of taxable income
- h) The normal working week is 40 hours (5 days @ 8 hours per day)

**REQUIRED:** Calculate the net wages payable to both employees for the week ended 15 October, 2012.

Total (25 Marks)