

**UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
SUPPLEMENTARY EXAMINATION PAPER 2012**

DEGREE/DIPLOMA AND YEAR OF STUDY: B. COM 1V

TITLE OF PAPER

: INTRODUCTION TO COST ACCOUNTING

TIME ALLOWED

: TWO (2) HOURS

INSTRUCTIONS

- :1. TOTAL NUMBER OF QUESTIONS ON THIS PAPER: FOUR (5)**
- 2. ANSWER QUESTION 1 AND ANY OTHER TWO QUESTIONS.**
- 3. THE MARKS AWARDED FOR A QUESTION/PART ARE INDICATED AT THE END OF EACH QUESTION / PART OF QUESTION.**
- 4. ALL WORKING NOTES AND CALCULATIONS MUST BE SHOWN ON THE ANSWER SHEET.**

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

A. Zondle Ltd is planning its advertising campaign for 2013 and has prepared the following preliminary budget based on the zero advertising expenditure:

Normal plant capacity	200 000 units
Sales	150,000 units
Selling price	E25 per unit
Variable manufacturing costs	E15 per unit
Fixed Costs:	
Manufacturing	E800,000
Selling and admin	700.000

An advertising agency claims that an aggressive advertising campaign would enable Zondle Ltd to increase its unit sales by 20%.

REQUIRED: Compute the maximum amount that Zondle Ltd can pay for advertising and achieve a target operating profit of E200,000 (5 Marks)

B. Makhonza Ltd is a retailer for DVD's. The projected after-tax net profit for the coming year is E120,000 based on a sales volume of 200,000 DVD's. The company has been selling the DVDs at E16 each. The variable costs consists of E10 unit purchase price and E2 handling cost per DVD. Makhonza's annual fixed costs are E600,000 and the company is subject to 40% income tax.

REQUIRED: Compute

- the break- even point in units (4 Marks)
- the increase in after-tax profit assuming unit sales volume increases by 10% (4 Marks)
- contribution margin ratio (4 Marks)
- sales in money (Emalangen) needed to achieve a target after-tax profit of E120,000 assuming the unit purchase price of the DVD will increase purchase by 30% (4 Marks)
- selling price needed to maintain the contribution-margin ration in ©, assuming the unit purchase price of the DVD will increase by 30% (4 Marks)

Total (25 Marks)

Question 2

Kamo Ltd adopted a standard cost system several year ago. The standard costs for the prime costs of its single product are as follows:

Material 8 kilos @ E5.00 per kilo = E40

Direct labour 6 hours @E8.20 per hour = E49.20

The following operating data were taken from the records for November 2012:

Units completed	63000 units
Budgeted output	6000 units
Purchases of materials	50.000 kilos
Total actual labour costs	E300760
Actual hours of labour	36 500 hours
Material efficiency variable	E1500 unfavourable
Material price variance	E750 favourable

REQUIRED:

- labour rice variance (3 ½ Marks)
 - labour efficiency variance (3 ½ Marks)
 - actual kilogrammes of material used in the production process (3 ½ Marks)
 - actual priced paid for killogrammes of material, assuming the material price variance is isolated at the time of purchases (3 ½ Marks)
 - total amount of material cost transferred to finished goods (3 ½ Marks)
 - total amount of labour cost transferred to finished goods(3 ½ Marks)
- B. Is it possible to use more quantities of raw materials than quantities bought? (4 Marks)

Total (25 Marks)

Question 3

A. The following static budget is available for Colani manufacturers:

<u>Normal production</u>	<u>10,000 units</u>
Direct material	50 000
Direct labour	200.000
Variable overheads	30.000
Fixed overheads	<u>25.000</u>
	<u>E305.000</u>

REQUIRED: Prepare a flexible budget at 6000 units, 2 units and 15000 units. (12 Marks)

B. Zakhele Ltd has prepared the following flexible budget for their manufacturing overheads:

	<u>10,000 units</u>	<u>15,000 units</u>
Depreciation	E28,000	E28,000
Insurance	33 500	48 500
Water and electricity	25 500	38 000
Supervision	80,000	80,000
Maintenance	42 500	63 750
Cleaning	25 000	35 000

REQUIRED:

Draw up a flexible budget for Zakhele Ltd at 5000 units and 9 units. (Hint: use, the high-low method of cost separation to determine the variable cost per unit and the fixed cost component of each cost item)

(13 Marks)

Total (25 Marks)

Question 4

The following information was available from Moshe Ltd's records.

<u>Year 2012</u>	<u>Purchases</u>	<u>Sales</u>
Month-January	E42,000	E72,000
February	48,000	66,000
March	36,000	60,000
April	54,000	78,000

Collections from customers are normally 70% in the month of sale, 20% in the month following the sale, and 9% in the second month following the sale. The balance is expected to be uncollectible. Moshe Ltd takes full advantage of the 2% discount allowed on purchases paid by the tenth of the following month. Purchases for May are budgeted at E60,000. Cash disbursements for expenses are expected to be E14,400 for the month of May. Moshe's cash balance at May 1 was E22,000.

REQUIRED: Compute the following:

- a) Expected cash collections during May (9 Marks)
- b) Expected cash disbursements during May (8 Marks)
- c) Expected cash balance at May 31 (8 Marks)

Total (25 Marks)

Question 5

Zamani Ltd produces and sales two products, Z and B. The following information is available for the budget year ended 31 December 2012:

<u>Product</u>	<u>Units</u>	<u>Price</u>
Z	60,000	E70
B	40,000	E100

Year 2012 inventories – in units

<u>Product</u>	<u>Units</u>	<u>Price</u>
Z	20,000	25,000
B	8,000	9,000

To produce one unit of Z and B, the following raw materials are used:

<u>Raw material</u>	<u>Unit</u>	<u>Amount used per unit</u>	
		<u>Z</u>	<u>B</u>
X	Kgs	4	5
Y	Kgs	2	3
Z	Kgs	-	1

Projected data for year 2012 with respect to raw materials are as follows:

<u>Raw Materials</u>	<u>Expected</u>	<u>Expected</u>	<u>Expected</u>
	<u>Purchase price</u>	<u>Inventories</u>	<u>Inventories</u>
	<u>Per week</u>	<u>Jan 1, 2012</u>	<u>Dec 31, 2012</u>
X	E8	32, 000 kgs	36 000kgs
Y	E5	29, 000 kgs	32000kgs
Z	E3	6,000 kgs	7000kgs

Projected direct-labour requirement for 2012 and rates are as follows:

Product	Hours / Units	Rate / Unit
Z	2	E3
B	3	E4

Overhead is applied at the rate of E2 per direct labour hour.

REQUIRED:

Based on the above projections and budget requirements for year 2012 for year 2012 for Z and B, prepare the following budgets:

1. Sales budget (in Emalangeni) (4 Marks)
2. Production budget in units (4 Marks)
3. Raw materials usage budget (4 Marks)
4. Raw materials purchases budget (4 Marks)
5. Direct labour budget in money (4 Marks)
6. Budgeted finished goods inventory at 31 December 2012 in Emalangeni (5 Marks)

Total (25 Marks)