

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION PAPER, 2015

DEGREE/DIPLOMA AND YEAR OF STUDY : B.COM II  
TITLE OF PAPER : INTRODUCTION TO COST ACCOUNTING  
COURSE CODE : AC 214 / IDE AC 203  
TIME ALLOWED : THREE HOURS

- INSTRUCTIONS:
1. THE TOTAL NUMBER OF QUESTIONS ON THIS PAPER IS 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 one**

KZN Ltd uses Absorption costing. The standard cost card for product X is as follows:

Standard cost card (Product X)

Direct materials	6 kgs @E5 = E30
Direct labour	5 hrs @E4 = E20
Variable Factory Overheads	5 hrs @E3 = E15
Fixed Factory Overheads	5 hrs @E2 = <u>E10</u>
Standard cost per unit	<u>E75</u>

Budgeted production and sales, 1000 units at E100 per unit of finished good

Actual results for the period:

Production and sales 800 units for E105 per unit of finished good

Direct material bought and used 5000 kgs costing E20, 000

Direct labour hours worked and paid for 3500 hours costing E17, 500

Variable factory overheads incurred E13, 000

Fixed factory overheads E11, 000

**Required:**

Compute the following variances:

- |                                    |           |
|------------------------------------|-----------|
| a) Total sales variance            | (1 Marks) |
| b) Sales price variance            | (2 Marks) |
| c) Sales volume variance           | (2 Marks) |
| d) Total direct materials variance | (1 Marks) |
| e) Direct materials price variance | (2 Marks) |
| f) Direct materials usage variance | (2 Marks) |

- g) Total direct labour variance (1 Marks)
- h) Direct labour rate variance (2 Marks)
- i) Direct labour efficiency variance (2 Marks)
- j) Total Variance overhead variance (1 Marks)
- k) Variable overhead spending/expenditure variance (2 Marks)
- l) Variable overhead efficiency variance (2 Marks)
- m) Total fixed overhead variance (1 Marks)
- n) Fixed factory overhead spending variance (2 Marks)
- o) Fixed factory overhead denominator variance (2 Marks)

**(Total 25 Marks)**

**Question Two**

The Managing Director of Sakhile Ltd has been suspicious that some raw materials were stolen. The following data and information is available:

**Finished Goods:**

Opening stock 20 000 units,

Budgeted sales 100 000 units,

Desired ending inventory 60 000 kgs

Each unit of finished good require 2kg of raw material X .

**Raw material X**

Opening stock 160 000 kgs,

Purchase 180,000kgs,

Ending inventory 50 000 kgs

**Required:**

a) compute the quantities (kgs) or raw materials stolen **(21 Marks)**

b) What other possible reasons could have caused the actual ending inventory or raw materials to differ from what the ending inventory of raw materials should have been apart from stealing.

**(4 Marks)**

**(Total: 25 Marks)**

**Question Three**

The management of Magongo Ltd has supplied the following information for the next five months:

	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>
<u>Item</u>	<u>E</u>	<u>E</u>	<u>E</u>	<u>E</u>	<u>E</u>
Credit sales	60,000	70,000	50,000	60,000	70,000
Pay roll	20,000	22,000	21,000	22,000	23,000
Purchase (on credit)	15,000	20,000	15,000	25,000	20,000
Depreciation	5,000	5,000	5,000	5,000	5,000
<b>Miscellaneous cash</b>					
Operating expenses	5,000	5,000	5,000	5,000	5,000

Additional information is as follows:

- Collections of accounts receivable amount to 25% in the month of sale. 60% in the first month after sale, 10% in the second month after sale, and 5% written off as uncollectible.
- Purchases are paid for at the rate of 20% in the month of purchase and 80% in the first month following purchase.
- Cash on hand at January 1<sup>st</sup> is E6000.

**Required:**

Prepare a columnar cash budget for January, February, and March. **(Total:25 Marks)**

**Question Four**

A) Distinguish between a Joint Product and a By-Product (5 Marks)

B) A certain joint process yields two products, A and B. the joint cost for 2010 is E80,000 and the sales value of the output at 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 point, the final sales value will be E180,000 for Product A and E140,000 for Product B. The Additional cost 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 (6 Marks)

ii) Were any revenues and/ or cost that are not relevant to the decision? If so, what are they?

(2 Marks)

C) ABC Ltd has a joint process that yields three products: A B and C. The company allocates joint product cost to the products on the basis of kilograms of output. A particular joint process run cost E125,000 and yielded the following output by weight:

<u>Product</u>	<u>Weight in Kgs</u>
A	4,800
B	13,000
C	4,200

The run also produced by-products, the net realizable value of which was E15,000. The company recognizes by-product inventory at the time of production and uses it to reduce the production costs.

**Required:**

Allocate to joint cost to the joint products.

(12 Marks)

(Total: 25 Marks)

**Question Five**

A) For each of the following independent cases, find the missing amounts:

	<b>Sales in Money</b>	<b>Variable expenses</b>	<b>Contribution Sales Ratio</b>	<b>Fixed Costs</b>	<b>Net Profit</b>
Case 1	E100,000	E50,000	(a)%	E30,000	E(b)
Case 2	200,000	(c)	30%	(d)	5,000
Case 3	(e)	(f)	40%	25000	25000

(3 Marks) each

B) Write short notes on any two Break-Even and CVP analysis assumptions (Limitations of CVP)  
(7 Marks)

(Total: 25 Marks)