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UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING & FINANCE

MAIN EXAMINATION PAPER

DECEMBER 2015

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DEGREE/YEAR OF STUDY:	BACHELOR OF- COMMMERCE YEAR II
TITLE OF PAPER	: INTRODUCTION TO COST ACCOUNTING
COURSE CODE	: AC214/ IDE AC 214 (M) DECEMBER 2015
TOTAL MARKS	: 100 MARKS
TIME ALLOWED	: THREE (3) HOURS
INSTRUCTIONS	1 There are <b>three (3)</b> questions. Answer all.
	2 Begin the solution to each question on a new page.
	3 The marks awarded for each question are indicated at the end of the question.
	4 Show all your workings.
	5 Calculations are to be made to zero decimal places of accuracy, unless otherwise instructed.
RECOMMENDATION	1 Reading time should not exceed fifteen minutes

Note: You are reminded that in assessing your work, account will be taken of accuracy of the language and general quality of expression, together with layout and presentation of your answer.

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

SPECIAL REQUIREMENTS: CALCULATOR

**QUESTION 1****PART A**

Prepare a stores table showing the receipts and issue of material X for March 2015, pricing of material issued on the basis of First-in-First-out method.

Date	Receipts		Date	Issue Qty (units)
	Qty (Units)	Price/unit		
1-Mar-15	200	20	4-Mar-15	100
18-Mar-15	309	18	10-Mar-15	50
30-Mar-15	100	16	20-Mar-15	250
			31-Mar-15	100

**[20 Marks]****PART B**

Discuss the advantages and disadvantages of the FIFO and LIFO methods of inventory Valuation

**[8 Marks]****PART C**

Siyabonga runs a mail-order business for gym equipment. Annual demand for the TricoFlexers is 16,000. The annual holding cost per unit is E 2.50 and the cost to place an order is E 50. What is the economic order quantity?

**[7 Marks]****[35 Marks]**

**QUESTION 2**

A process costing E 200 000 produces 3 products- A, B and C. Output details are as follows;

Product A 6 000 litres

Product B 10 000 litres

Product C 20 000 tonnes

Each product may be sold at the completion of the process as follows:

	Sales value at the end of the first process
Product A	E 10 per litre
Product B	E 4 per litre
Product C	E 10 per tonne

Alternatively, further processing of each individual product can be undertaken to produce an enhanced product thus:

	Subsequent processing costs	Sales value after final process
Enhanced Product A	E 14 per litre	E 20 per litre
Enhanced Product B	E 2 per litre	E 8 per litre
Enhanced Product C	E 6 per tonne	E 16 per litre

Required:

- a) Explain the following terms;
  - i) Normal process costs;
  - ii) Joint product;
  - iii) By product

And state the appropriate costing treatments for normal process loss and for by-products.

**[10 Marks]**

- b) Calculate the apportionment of joint costs to products A, B and C above. Discuss the rationale for the basis you have used to allocate the costs. **[ 15 Marks]**

- c) Explain whether the initial process should be undertaken and which, if any, of the enhanced products should be produced. **[10 Marks]**

**[45 Marks]**

**QUESTION 3**

- a) Employees are paid E 6/hour for a standard 40 hour week. Overtime is paid at time and one third. The employee is expected to make at least 80 units in a week, and to encourage productivity, each unit in excess of 80 will generate an additional payment of E 5 less any overtime premium that would relate to the time the additional unit would normally take. What is an employee's wages in a week in which 90 units are made and the employee works 44 hours?

**[7 Marks]**

- b) Arsene Wenger, the Arsenal football club manager has always been in favour of awarding similar bonuses to his players. By contrast, Jose Mourinho at Chelsea favours awarding players bonuses based on individual performance. You are the Chief Financial Officer at Manzini Sundowns Football club and you have been approached by the new Manzini Sundowns Coach for your input regarding the views extended by this two great football coaches. Write a memo to the coach where you compare and contrast the views expressed by the two managers and the one you would recommend for the club. (Please limit your views to objective factors)

**[13 Marks]**

**[ 20 Marks]**