
UNIVERSITY OF ESWATINI

DEPARTMENT OF ACCOUNTING & FINANCE

RESIT EXAMINATION PAPER

JANUARY_FEBRUARY_2020

DEGREE/YEAR OF STUDY:	BACHELOR OF COMMERCE YEAR II/ IDE LEVEL II
TITLE OF PAPER	: INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING
COURSE CODE	: ACF 213 (S) JANUARY/FEBRUARY 2020
TOTAL MARKS	: 100 MARKS
TIME ALLOWED	: THREE (3) HOURS
INSTRUCTIONS	1 There are four (4) 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. The working for any individual amount should be properly referenced to the answer; otherwise it will be ignored in the award of marks. 5 For theory questions, responses should be in bullet form and each unique point should be presented under a separate bullet/paragraph. Failure to do so will result in a loss of marks. 6 Calculations are to be made to two decimal places of accuracy, unless otherwise instructed.

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

SPECIAL REQUIREMENTS: CALCULATOR

This paper is not to be opened until permission has been granted by the invigilator

QUESTION 1

Lamgabhi Ltd is a manufacturing company with 2 production departments (1 and 2) and two service departments (G and H). The budgeted overheads for the forthcoming period applicable to the departments are as follows:

	E'000
1	870
2	690
G	160
H	82

The use made of each of the service departments has been estimated to be as follows:

	Production departments		Service departments	
	1	2	G	H
G (%)	60	30	-	10
H (%)	50	30	20	-

Required: Apportion the service departments to production departments:

- i) Using the specified order of closing method; starting with G [9 Marks]
- ii) Using the reciprocal (Simultaneous equation) method [10 Marks]
- iii) Comment briefly on the results of the two methods [6 Marks]

Total: `

[25 Marks]

QUESTION 2

This question consist of two unrelated parts

PART A

The total costs incurred at various output levels, for a process operation in factory have been measured as follows:

Output (units)	Total costs (E)
11 500	102 476
12 000	104 730
12 500	106 263
13 000	108 021
13 500	110 727
14 000	113 201

Required:

- i) Using the high low method, analyse the costs of the process operation into fixed and variable components [8 Marks]
- ii) Calculate and comment on, the break-even output level of the process operation in i) above, based on the fixed and variable costs identified and assuming a selling price of E 10.60 per unit. [11 Marks]

PART B

A company manufactures and retails clothing. You are required to group the costs that are listed below and numbered 1 to 12 into the following classifications (each cost is intended to belong to one classification, however it is possible for two costs to share the same classification): [0.5 marks each to a total of 6 marks]

CLASSIFICATIONS

- i) Direct materials
- ii) Direct labour
- iii) Direct expenses
- iv) Indirect production overhead
- v) Research and development
- vi) Selling and distribution expenses
- vii) Administration costs
- viii) Finance costs

COSTS

- 1) Lubricant for sewing machines;
- 2) Flash disks for general office computer;
- 3) Maintenance contract for general office photocopying machine;
- 4) Telephone rental plus metered calls;
- 5) Interest on bank overdraft;
- 6) Performing rights society charge for music broadcast throughout the factory;
- 7) Market research undertaken prior to a new product launch;
- 8) Wages of security guards for factory;
- 9) Carriage on purchases of basic raw material;
- 10) Royalty payable on a units of product XY produced;
- 11) Road fund licences for delivery vehicles;
- 12) Parcels sent to customers.

Total:

[25 Marks]

QUESTION 3

Somntongo Limited makes and sells a single product. The following data relates to period 1 to 4.

	E
Variable costs per unit	30
Selling price per unit	55
Fixed costs per period	6 000

Normal activity is 500 units. Production and sales for the four periods are as follows:

Period	1	2	3	4
Sales	500	400	550	450
production	500	500	450	500

There were no opening stocks at the start of period 1.

Required:

- i) Prepare the operating statements of each of the periods based on marginal costing principles [9 Marks]
- ii) Prepare the operating statements of each of the periods based on absorption costing principles [9 Marks]
- iii) Comment briefly on the results obtained in each period and in total by the two systems [7 Marks]

Total:

[25 Marks]

QUESTION 4

The marketing director of your company has expressed concern about product X, which for some time has shown a loss, and has stated that some action will have to be taken. Product X is produced from material A, which is one of two raw materials jointly produced by passing chemicals through a process. Representative data for the process is as follows:

Output (kg)

Material A	10 000
Material B	30 000

Process (E)

Raw materials	83 600
Conversion costs	58 000

Joint costs are apportioned to the two raw materials according to the weight of output.

Production costs incurred in converting material A into product X are E 1.80 per kg of material A used. A yield of 90% is achieved. Product X is sold for E 5.60 per kg. Material B is sold without further processing for E 6.00 per kg.

- Calculate the profit/loss per kilogram of product X and materials B, respectively. **[9 Marks]**
- Comment upon the marketing director's concern, advising him whether you consider any action should be taken. **[8 Marks]**
- Demonstrate an alternative joint cost apportionment for product X and comment briefly upon this alternative method of apportionment. **[8 Marks]**

Total:

[25 Marks]