



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

MANAGEMENT AND COST ACCOUNTING 2

HACC 424

PART 4 SEMESTER 1 EXAMINATION

TOTAL MARKS [100]

DATE: DECEMBER 2024

Time: 3 Hours

INSTRUCTIONS

1. This paper has ***six (6)*** questions
2. Answer question ***one (1)*** and ***any*** other ***three (3)***
3. Each question carries ***25 marks***
4. Start each question on a new page

Question 1

Part A

Mesflo Company estimates factory overheads of \$225 000 for the next year and the company also estimates that 25 000 units will be produced with material cost of \$500 000. Manufacturing will require an estimated 56 250 direct labour hours at a cost of \$8 per hour and an estimated 75 000 machine hours.

Mesflo Company received an order from a client whose details are as follows:

Units to be produces	1 000
Material cost	\$5 000
Direct labour cost	\$12 000
Labour hours required	500
Machine hours required	120

Required:

Compute the amount of factory overheads to be charged to the client's order using the following bases:

1. Percentage of material cost **(3)**
2. Percentage of labour cost **(3)**
3. Units of production **(3)**
4. Direct labour hours **(3)**
5. Machine hours **(3)**

Part B:

Outline ten advantages of Standard Costing. **(10)**

Question 2

A company makes a single product with a sales price of \$10 and a variable cost of \$6. Fixed costs are \$60 000 pa.

Required to calculate:

1. Contribution Sales (CS) ratio **(2)**
2. Number of units to break-even **(2)**
 1. Sales at break-even point **(3)**
 2. What number of units need to be sold to achieve a profit of \$20 000 pa? **(4)**
 3. What level of sales will achieve a profit of \$20 000 pa? **(4)**
 4. If the taxation rate is 40% how many units will need to be sold to make a profit after tax of \$20 000 pa? **(5)**
 5. If taxation rate is 40%, what level of sales in dollars will achieve an after tax profit of \$20 000 pa? **(5)**

Question 3

The following transactions were concluded in respect of a particular inventory item:

1 January	Inventory on hand	50 units @\$5 per unit
3 January	Issued	20 units
4 January	Received	80 units @ \$6 per unit
5 January	Issued	20 units
6 January	Issued	30 units
7 January	Returned to supplier	10 units(received on 4 January)

Required to calculate:

Value of Inventory using:

- a. LIFO method **(7)**
- b. FIFO method **(8)**
- c. AVCO method **(10)**

Question 4

Part A

A company manufactures small assemblies to order and has the following budgeted overheads for the year, based on normal activity levels:

Department	Budgeted Overheads	overhead Absorption Base
	\$	
Blanking	9 000	750 labour hours
Machining	21 500	1 250 labour hours
Welding	10 000	900 labour hours
Assembly	7 500	500 labour hours

Selling and Administration overheads are 20% of factory costs. An order of 125 assemblies made as Batch Number 630 incurred the following costs:

Materials:	\$2 500
Labour: Blanking	64 hours at \$10 per hour
Machining	322 hours at \$11 per hour
Welding	45 hours at \$10 per hour
Assembly	88 hours at \$9 per hour

\$525 was paid for the hire of special X-ray equipment for testing the welds.

Required to calculate:

1. The total cost of batch number 630. **(20)**
2. The unit cost. **(2)**
3. The profit per assembly if the selling prices was \$180 per assembly. **(3)**

Question 5

'No Friction' is an industrial lubricant, which is formed by subjecting certain crude chemicals to two successive processes. The output of process 1 is passed to process 2, where it is blended with other chemicals. The process costs for the period were as follows:

Process 1

Material: 6 000 kg @ \$0.25 per kg

Labour: \$240

Process plant time: 24 hours @ \$20 per hour.

Process 2

Material 4 000 kg @\$0.40 per kg

Labour: \$168

Process plant time 40 hours @ \$13.50 per hour

General overhead for the period amounted to \$714 and is absorbed into process costs on process labour basis.

The normal output of process 1 is 80% of input, while that of process 2 is 90% of input.

Waste matter from process 1 is sold for \$0.20 per kg, while that from process 2 is sold for \$0.30 per kg.

The output for the period was as follows:

Process 1 4 600 kgs

Process 2 8 000 kgs

There was no stock or work in process at either the beginning or the end of the period, and it is assumed that all available waste matter had been sold at the prices indicated.

Required:

Show how the foregoing data would be recorded in a system of cost accounts in the following accounts.

- | | |
|---------------------------|------|
| 1. Process 1 account | (8) |
| 2. Process 2 account | (10) |
| 3. Finished stock account | (1) |
| 4. Abnormal loss account | (2) |
| 5. Abnormal gain account | (2) |
| 6. Scrap sales account | (2) |

Question 6

This question has got two independent parts, part A and part B

Part A

A process produces three products, **A, B** and **C**. Total joint costs were \$24 000 and outputs, selling prices and sales values were:

- A. 400 litres sold at \$25.
- B. 800 litres sold at \$15.
- C. 200 litres sold at \$30.

Required:

- 1. Apportion the joint costs using the sales value basis. (6)
- 2. Prepare a profit statement and profit percentage on sales value basis. (7)

Part B

- 1. During a certain financial period, a company had the following data:
Actual usage of direct material was 8 400 kgs at \$22.50 per kg, while the standard usage was 9 000 kgs.

Required to calculate:

- a. The Direct Material price variance. (2)
 - b. The Direct Material usage variance. (2)
 - c. The Direct Material total variance. (2)
- 2. The following information is available for a company.

Budgeted

Fixed production overheads	\$22 960
Labour hours	6 560 hours
Standard Hours of Production (SHP)	6 560 hours

Actual

Fixed production overheads	\$24 200
Actual labour hours	6 300 hours
Standard Hours of Production (SHP)	6 460 hours

Required to calculate:

- | | |
|--|-----|
| a. Fixed overhead expenditure variance | (2) |
| b. Fixed overhead capacity variance | (2) |
| c. overhead efficiency variance | (2) |

END OF PAPER