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**UNIVERSITY OF SWAZILAND**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**  
**MAIN EXAMINATION PAPER DECEMBER 2016**

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DEGREE/ DIPLOMA AND

YEAR OF STUDY : I.D.E. B. COM 11

TITLE OF PAPER : Introduction to Cost & Management Accounting

COURSE CODE : IDE AC214 (M) DECEMBER 2016 (IDE ONLY)

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 a question are indicated at the end of each question.
- 4 Show all the necessary workings.
- 5 Round off as you deem appropriate to the nearest whole number.

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.

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SPECIAL REQUIREMENTS: CALCULATOR

**QUESTION 1****45 Minutes****25 Marks****Sub-questions 1—7 relate to the following statement:**

Wooden Specialists Ltd manufactures wooden furniture. Indicate for each of the following items whether it's a cost object, a direct cost, or indirect cost:

- |  |     |
|--|-----|
| 1. A particular type of desk manufactured          | (1) |
| 2. The wood used to make a desk                    | (1) |
| 3. The wages of the employees assembling desks     | (1) |
| 4. A particular type of cupboard manufactured      | (1) |
| 5. The nails used to assembling a cupboard         | (1) |
| 6. The rent for the factory building               | (1) |
| 7. The wages of the cleaning staff in the factory. | (1) |

**Sub-questions 8-9 relate to the following scenario:**

Date	Transaction	Details
December 2016		
01	Opening inventory	1 000 units @E10 each
05	Purchases	2 000 units @ E8 each
06	Sales commission paid	E1000
07	Purchases	500 units @E11 each
10	Issues	3 200 units to production

8. The total value of inventory at close of business on 10 December 2016 according to the FIFO method of inventory valuation was (2)
- E3 300
  - E2 400
  - E2 550
  - E3 000
9. The value of one unit of inventory at close of business on 05 December 2016 according to the weighted average method of inventory valuation was: (2)
- E10.00
  - E 9.00
  - E 9.25
  - E 8.50

**Sub-questions 10-17 relate to the following scenario:**

Classify each of the following costs as Fixed, Variable or Semi-Variable, according to the units produced during the month:

- |   |     |
|---|-----|
| 10. A factory supervisor's salary   | (1) |
| 11. The paper used in the textbook production                                       | (1) |
| 12. Factory insurance   | (1) |
| 13. The screws used in furniture production   | (1) |
| 14. The rent on a factory building  | (1) |
| 15. The piecemeal wages paid to the workers assembling the product                  | (1) |
| 16. The routine, monthly maintenance of machinery and three callouts for Breakdowns | (1) |
| 17. The wood used in furniture production   | (1) |

**Sub-questions 18-21 relate to the following:**

Classify the following items as product costs or period costs:

- |   |     |
|---|-----|
| 18. Material  | (2) |
| 19. Marketing cost                                    | (2) |
| 20. Salary of Secretary of Human Resources department | (1) |
| 21. Salary of machine operator                        | (1) |

**QUESTION 2****45 Minutes****25 Marks**

Matsapha Ltd manufactures a single product by means of a single manufacturing process and uses a Process Costing system. The following information is available for November 2016:

1 November 2016: Work-in-process:	50 000 units
✓ Material - 100% complete	E 88 750
✓ Conversion cost - 25% complete	E 44 000
150 000 units placed into production in November 2016:	
✓ Material	E 267 250
✓ Conversion costs	E 120 900
Units completed and transferred during November 2016:	147 500 units
30 November 2016: Work-in-process:	15 000 units
✓ Material - 100% complete	
✓ Conversion cost - 60% complete	

**Additional information**

1. Material is added at the beginning of the process.
2. Conversion costs are incurred evenly throughout the process.
3. Normal losses are estimated at 15% of the input that reaches the wastage point.
4. Losses occur at the end of the process.
5. Matsapha Ltd values their inventory according to the FIFO method

**REQUIRED**

Prepare the following statements for Matsapha Ltd for the month of November 2016:

- |                                |                   |
|--------------------------------|-------------------|
| (i) Quantity statement         | <b>(20 Marks)</b> |
| (ii) Production cost statement | <b>( 5 Marks)</b> |

**QUESTION 3****45 Minutes****25 Marks**

Swazi Printers Ltd uses a job costing system. The following information is available for the first month of trading:

Materials purchases		42 600
Materials were requested as follows:		
Direct materials:	Job 1	16 950
	Job 2	17 300
	Indirect materials	4 360
Direct labour paid:	Job 1 (249 hours)	12 450
	Job 2 (273 hours)	13 650
	Indirect labour	2 800

Overheads are allocated on the basis of direct labour hours. The budgeted average manufacturing overheads amount to E27 000 per month, and estimated average normal capacity is 600 direct labour hours per month.

Job 1 (300 units) was completed during the month and 200 units were sold during the first month for E130 per unit. Job 2 is still in process at the end of the month

The following actual expenses were debited to the overheads control account:

Electricity & water	3 130
Depreciation	8 200
Factory rental	8 000

**REQUIRED:**

- Calculate the total cost of job 1 and the cost of WIP (incomplete work) on job 2 at the end of the month (12 Marks)
- Calculate the profit or loss on the sale of 200 units of job1 ( 5 Marks)
- Calculate the over or under application of production overheads for the month ( 8 Marks)

**QUESTION 4****45 Minutes****25 Marks**

Kotini (Pty) Ltd operates a process which produces two products; Yellow and Blue. In December 2016, joint production costs amounted to E20 000. There was no opening inventory and the total production for the month was sold. All joint products were processed further.

	Yellow	Blue
	E	E
Selling price per kg of final product	150	165
Total cost of further processing after the split off point	2 500	3 150
Total selling and distribution costs of the final product	1 200	1 400
Kgs at the split-off point and of final product	200	300

**REQUIRED**

Prepare a statement of comprehensive income for the month ended 31 December 2016, showing only the individual columns for Yellow and Blue, assuming that joint costs are allocated according to the:

- a. Physical standard method **(12 Marks)**
- b. Net Realizable Value at split-off point. **(13 Marks)**