ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

ACCOUNTANCY AND MANAGEMENT STUDIES

SUBJECT: Cost and Management Accounting 1 **PAPER NO: 500/S09**

OCTOBER/NOVEMBER 2012 EXAMINATION

REQUIREMENTS

Non –programmable silent calculator

INSTRUCTIONS TO CANDIDATE

1. Answer all questions
2. Show all workings

This paper consists of 5 printed pages.

QUESTION 1

(a) A company operates a factory which employs 40 direct workers throughout the four weeks period just ended. Direct employees were paid at a basic rate of $4,00 per hour for a 38 hour week. Total hours of the direct workers in the four week period were 6528. Overtime which is paid at a premium of 30% is worked in order to meet general production requirements. 188 hours of direct workers' time were registered as idle.

Required

Calculate the following for the four week period just ended.

(i) Gross wages
(ii) Direct labour cost
(iii) Indirect labour cost

(b) Calculate four stock levels from the following data.

	Minimum	Average	Maximum
Usage per day (units)	10	20	30
Lead time (days)	10	20	30
Order quantity 1000 units			

(20 marks)

QUESTION 2

You are required to produce a process account from the following data.

Opening work in progress of 2 000 units was 60% complete and closing working progress of 4000 units was 75% complete. Materials went in at the start. Completed output was 16 000 units. Input was 20 000 units and 5% normal loss is to be taken into account. Costs were opening work in progress $14 000, material input $80 000, labour $59 490 and overhead $39 600. Use FIFO method of valuing output.

(20 marks)

QUESTION 3

As at 31 July 2012, the following balances existed in a company's cost ledger.

	Dr	Cr
	$	$
Raw material control A/C	60 287	
Work in progress control A/C	24 473	
Finished stock control A/C	50 389	
Factory overhead control A/C		2 105
Cost ledger control		133 044
	135 149	135 149

During the next three months the following items arose:-

		$
Finished output (at cost)		42 167
Factory overhead incurred		18 302
Raw materials purchased		24 600
Direct wages payment	10 106	
Indirect wages (salaries)	4 333	14 439
Materials issued to production	25 463	
Material returned to suppliers		580
Sales returns		1 076
Factory overhead allocated to production		15 440

Required

(a) raw material control A/C
(b) work in progress control account
(c) finished stock control A/C
(d) factory overhead control A/C
(e) wages and salaries control A/C
(f) cost of sales A/C
(g) cost ledger control A/C

(20 marks)

QUESTION 4

The standard cost of product A

	$
Materials (5kg× $10 *per kg*)	50
Direct labour 4*hrs* × $5 *per hour*)	20
Variable overhead (4*hrs* × $2 *per hour*)	8
Fixed overhead (4 *hrs* × $6 *per hour*)	24
	102

Budgeted results
Production 1200 units
Sales 1000 units
Selling price $150 per unit

Actual results
Production 1000 units
Sales 900 units
Materials 4850 kg $46 075
Labour 4 200 hours $21 210
Variable overhead $9450
Fixed overhead $25 000
Selling price $140 per unit

Required:-

Calculate the following variables:-
(a) direct material price variance
(b) direct material total variance
(c) direct labour efficiency variance
(d) direct labour rate variance
(e) variable production overhead expenditure variance
(f) fixed production overhead variance
(g) sales volume variance
(h) selling price variance

(20 marks)

QUESTION 5

Mubaiwa Ltd, a manufacturing company produces three joint products from a common process. For the month of October 2012, the following data was made available.

Products	A	B	C
	$	$	$
Selling price per kg	5	10	20
Post separation point costs	10 000	5 000	15 000
Output in kgs	2 500	1 000	1 500

Pre separation point costs were $20 000. The sales value per kg of each product at separation point were A $3, B$4 and C$6.

The products are manufactured in one initial common process after which they are separated and may undergo further processing as individual products. Pre-separation costs are shared according to weight.

Required:

(a) Prepare a statement showing the net income per product and in total, assuming that all products go for further processing individually.

(b) Determine on the basis of cost and profitability which products should be sold at split off point and which ones should be further processed.

(20 marks)

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