



"Investing in Africa's Future"

**COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND
GOVERNANCE**

COST ACCOUNTING (MAC 201)

END OF SECOND SEMESTER EXAMINATIONS-HRE

APRIL/MAY 2017

LECTURER: MR. PARADZA

DURATION: 3 HRS

INSTRUCTIONS

Attempt both questions in Section A and any 2 other questions

Start **each** question on a new page in your answer booklet.

The marks allocated to **each** question are shown at the end of the question.

Show all your workings.

Credit will be given for logical, systematic and neat presentations.

SECTION A

QUESTION 1 (30 marks)

- (a) Explain the term 'standard sales.' (2 marks)
 (b) Explain the profit method of calculating sales variances. (2 marks)
 (c) The sales budget and actual sales for 2 products Y and Z were as follows:

Product	Qty	Budgeted Sales		Qty	Actual Sales	
		Price \$	Value \$		Qty \$	Value \$
Y	11 025	28	308 700	9 188	28	257 264
				2 756	27	74 412
Z	18 375	26	477 750	13 781	28	385 868
						<u>80 325</u>
			<u>786 450</u>			<u>791 869</u>

Budgeted and actual costs per unit were Y \$20 and Z \$19.

REQUIRED

- (i) Calculate the sales variances using the profit method. (21 marks)
 (ii) Draw up a reconciliation statement explaining the difference between total budgeted profit and total actual profit. (5 marks)

QUESTION 2 (20 marks)

The following output, sales and inventory data relates to a company which manufactures a single product:

	Year-ended 31 March		
UNITS	2015	2016	2017
Opening inventory	0	400	560
Output	1 200	1 040	1 600
Sales	800	880	1 840
Closing inventory	400	560	320

Actual revenue and sales and cost data throughout the 3-year period was as follows:
 \$

Selling price per unit	300
Variable production cost per unit	96
Variable selling & distribution costs per unit	18
Fixed production costs (total)	1 200 000

REQUIRED

Draw up profit statements in tabular format for the 3 years, using absorption costing.

SECTION B**QUESTION 3 (25 marks)**

Explain the following costing methods:

- (a) Throughput accounting (20 marks)
- (b) Target costing (5 marks)

Quantitative examples are not required.

QUESTION 4 (25 marks)

With the aid of quantitative examples, explain the following remuneration methods:

- (a) 75-100 straight proportional scheme (10 marks)
- (b) Halsey 50% scheme (5 marks)
- (c) Taylor system (10 marks)

QUESTION 5 (25 marks)

Discuss cost-volume-profit (CVP) analysis under the following headings:

- (a) Sales mix CVP analysis (10 marks)
- (b) Limitations of CVP analysis (15 marks)

QUESTION 6 (25 marks)

- (a) Discuss the related issues of materials cost and control in a manufacturing organisation. (13 marks)
- (b) Discuss the use and significance of the economic order quantity. (6 marks)
- (c) Identify the costs which are associated with stock-outs of materials and finished goods. (6 marks)

END OF PAPER