



**COST AND MAGEMENT ACCOUNTING 3
7010**

CAMEROON GENERAL CERTIFICATE OF EDUCATION BOARD

Technical and Vocational Education Examinations

JUNE XXXX

ADVANCED LEVEL

Specialty Name (Specialty Code)	ACCOUNTING (ACC/CG)
Subject Title	COST AND MANAGEMENT ACCOUNTING
Paper No.	3 – COST ACCOUNTING
Subject Code No.	7010

Three hours

INSTRUCTIONS TO CANDIDATES

This paper carries TWO INDEPENDENT SECTIONS of SIX questions each.

Each question carries 20 marks.

You are required to answer any **Five (5)** questions of your choice from **ONE SECTION ONLY**.

If you answer MORE THAN five (5) questions, ONLY the first five (5) answers presented will be marked. Meanwhile, the other answer will be cancelled.

You are allowed to use **GRAPH PAPERS** and **CALCULATORS**.

You must use **ONLY Blue or Black ink**. No answer in Pencil will be marked.

All Appendices filled or completed should be handed in with your answer booklet and must be put in the appropriate answered number.

All necessary calculations must be shown.

You are reminded of the necessity for good English and orderly presentation in your answers.

Turn Over

SECTION A

Answer any five questions

1. A company is using a special raw material for production with an annual demand of 40,000 kg. The ordering cost for the material is 25,000 CFAF and the holding cost is 150 CFAF per unit per annum. The producer of the raw material is not happy with our current order size and is offering a 2% discount so that the order size should be doubled. The material cost is 2,500 CFAF per kg to buy.

Required:

- a) Calculate:
- i) Economic order quantity (EOQ). (4 marks)
 - ii) Total holding cost (2 marks)
 - iii) Total ordering cost (2 marks)
- b) Should the manager accept the discount of 2% in order to double the reorder quantity? (12 marks)
- (Total 20 marks)**

2. A company is processing food and has the following details:

- Material 1,500 kg at 2,000 CFAF per kg
- Labour cost is 2,500,000 CFAF
- Overhead cost is 1,500,000 CFAF

The company is expecting loss of 10% on input. The output of process 1 to process 2 is 900kg.

Required:

- a) (i) Prepare the process 1 account. (10 marks)
 (ii) Prepare the abnormal loss account. (2 marks)
- b) In process 2, the following details are available:
- Input labour cost 1,600,000 CFAF
 - Overhead cost 2,000,000 CFAF
 - There is no expected loss in this process.
- (i) Prepare the final process 2 account. (7 marks)
 (ii) Calculate the cost of the final output. (1 mark)
- (Total 20 Marks)**

3. AMATA Manufacturing Company has two departments: Mixing and Baking and uses a single production overhead absorption rate based on direct labour hours. The budgeted and actual information for December 2019 are given as follows:

Department	Budget			Actual		
	Direct wages in CFAF	Direct labour hours	Production overhead in CFAF	Direct wages in FCFA	Direct labour hours	Production overhead in CFAF
Mixing	24,000,000	2,000	180,000,000	22,000,000	2,000	180,000,000
Baking	70,000,000	5,000	100,000,000	70,000,000	4,750	103,500,000
Total	94,000,000	7,000	280,000,000	92,000,000	6,750	283,500,000

During the month of December 2019, a batch of 2,000 units was made up of the following:

Department	Direct wages in FCFA	Direct labour hours
Mixing	726,000	120
Baking	2,490,000	415
Total	3,216,000	535

The direct materials cost of the batch was 890,000 FCFA.

Required:

- a) Calculate the appropriate departmental overhead absorption rates. (6 marks)
 - b) Calculate the single production overhead absorption rate for the company. (3 marks)
 - c) Determine the total cost of the batch of 2,000 units. (8 marks)
 - d) Determine the overhead over/under absorbed into the batch. (3 marks)
- (Total 20 marks)**

4. Divine Co. Ltd manufactures bathing soap (BACTOR). It has the following budgeted overheads for the year based on normal activity levels on four departments;

Departments	Budgeted overhead cost	Overheads Activity level
Blanking	8,000,000 CFAF	1,600 labour hours
Machine	23,000,000 CFAF	2,500 machine Hours
Welding	1,000,000 CFAF	2,000 labour Hours
Assembly	5,000,000 CFAF	1,000 labour Hours

During the period selling and distribution overheads are 20 % of Factory production Cost. An order of 250 Bactor soaps was made as Batch 313 and incurred the following costs.

- Direct material 250 unit at 12,428 CFAF
- Direct labour;
 - Blanking 128 hours at 250 CFAF per hour
 - Machine 252 hours at 2,500 CFAF per unit
 - Welding 90 hours at 2,250 CFAF per hour
 - Assembly 175 hours at 1,500 CFAF per unit

525,000 CFAF was paid for hiring the special x-ray equipment for the welding shop as direct expenses. The time booking in the machine shop was 643 machine hour.

Required:

- a) Calculate the adsorption rate per depth (5 marks)
 - b) Show the prime cost and Factory production cost (5 marks)
 - c) Show the total cost of Batch 313 and the cost per unit (5 marks)
 - d) If the markup is 20 % what is the profit and selling price. (5 marks)
- (Total 20 marks)**

5 A company is producing three products XYZ with the following details.

Details	X	Y	Z
Material cost	500 CFAF	600 CFAF	400 CFAF
Labour cost	400 CFAF	500 CFAF	500 CFAF
Direct cost	600 CFAF	400 CFAF	300 CFAF
Fixed cost	500 CFAF	300 CFAF	400 CFAF
Units	1,000	1,200	800
Selling price	3,000 CFAF	2,500 CFAF	3 000 CFAF

The company is using a special material called MOKE which takes 2 kg per product to produce. The company has only 4600 kg of this material left.

Required:

- (a) How many units of each product should be produced in order to maximise profit. (10 marks)
 - (b) What is the profit? (10 marks)
- (Total 20 marks)**

6. Ali limited has the following data:

	May 2019	June 2019
Overheads	CFAF	CFAF
	Administration 120	150
	Production 150	130
	Distribution 40	50
Cost per unit	Material 550	250
	Labour 750	650
	Direct expenses 800	900
Number of units	7,000 units	20,000 units

Required:

- (a) Determine the total fixed cost. (6 marks)
 - (b) Produce a statement of cost classification on
 - (i) prime cost (4 marks)
 - (ii) production cost (5 marks)
 - (iii) total cost (5 marks)
- (Total 20 marks)**

SECTION B
Answer any five questions

7. CAMPALLA enterprise had the following stock records for the stock of goods in the year 2019.

- Purchases:

- 2nd February: 200 units at 380 CFAF each, trade discount 15 %, transport 27 CFAF per unit
- 3rd April: 300 units at 400 CFAF each, trade discount 20 %
- 5th June: 200 units at 320 CFAF per unit, purchase expenses 10 CFAF per unit
- 7th October: 450 units at 310 CFAF each

- Sales:

- 11th March: 250 units
- 13th August: 500 units.
- 17th December: 350 units

- The opening stock of 01/01/2019 is made of 100 units at a total cost of 30,000 CFAF.
- The enterprise uses the method of weighted average cost after each entry in valuing the stock.
- The selling price for each unit of the stock is 500 CFAF.

Required:

- a) Determine the value of the closing stock of goods by use of stock bin card. (14 marks)
 - b) Produce a trading account to show the gross profit for the year ended 31/12/2019. (6 marks)
- (Total 20 marks)**

8. REMEMBER VICTORY Co Ltd produces two models of carpet (Luxurious Mat and Ordinary Mat) as follows:

- Production: 16,000 ordinary Mats and 8,000 Luxurious Mats
- Raw materials consumed:
 - Ordinary Mats.....13,320,000 CFAF
 - Luxurious Mats.....8,960,000 CFAF
- Direct labour cost:
 - Ordinary Mats.....8,320,000 CFAF
 - Luxurious Mats.....5,120,000 CFAF
- Other production expenses: 36960000 CFAF of which 16,800,000 CFAF as fixed expenses
- Distribution expenses;
 - Ordinary Mats.....8 % of turnover
 - Luxurious Mats.....7.5% of turnover
- Unit selling price;
 - Ordinary Mats.....3,800 CFAF

Required:

- a) Using the complete costing system
 - i. Calculate the total and unit cost price of each Model of carpet Mat produced knowing that other production expenses are shared between the two models proportionally to the direct labour cost. **(9 marks)**
 - ii. Calculate the total and unit analytical profit or loss of each model **(3 marks)**
 - b) Using the direct costing method, calculate the costing profit or loss **(8 marks)**
- (Total 20 marks)**

9. A company has given you the following data about the production and cost figures of some particular periods:

year	output	cost	Retail Price Index
1	2,000 units	2,400,000 CFAF	100
2	1,500 units	2,000,000 CFAF	101
3	3,500 units	4,000,000 CFAF	103
4	3,000 units	4,500,000 CFAF	104
5	4,000 units		105

Required:

- a) Calculate the variable cost per unit. **(9 marks)**
 - b) Calculate the total fixed cost for the high and low units. **(6 marks)**
 - c) What is the total cost during the year when the company shall be producing 4,000 units **(5 marks)**
- (Total 20 marks)**

10. A company has provided you with its annual profit and depreciation charges as follows:

Year	Net Profit	Depreciation
1	2,500,000 CFAF	50,000 CFAF
2	3,000,000 CFAF	70,000 CFAF
3	2,700,000 CFAF	80,000 CFAF
4	3,500,000 CFAF	90,000 CFAF

The capital invested initially amounted to 7,000,000 CFAF. The bank charged 12 % interest per annum.

Required:

Calculate the following:

- a) Net Present Value of the project **(8 marks)**
 - b) The Profitability Index of the project **(4 marks)**
 - c) The Internal Rate of Return of the project **(8 marks)**
- (Total 20 marks)**

- 11 MATIMAN Plc has 2 jobs for 2 different customers. The company has enough capacity for both jobs but is uncertain whether they will be profitable. The following information is available:

	Job A	Job B
Job value	50,000 CFAF	200,000 CFAF
Quantity	1,000 units	2,000 units
Material cost per unit	30 CFAF	40 CFAF
Moulding time per batch	5 hours	7.5 hours
Batch Size	100 units	50 units

Annual budgeted overheads are given as follows:

Activity	Cost driver	Cost driver volume per annum	Budgeted overhead cost
Moulding	Moulding hours	2,000 hours	300,000 CFAF
Inspection	Inspection Batches	150 batches	150,000 CFAF
Production Management	Jobs	20 jobs	250,000 CFAF
Total Budgeted Overhead Cost for the year			700,000 CFAF

Overheads are absorbed using moulding hours.

Required:

- Calculate the cost rates per cost driver volume and determine the profit or loss for each job using activity based costing. **(15 marks)**
 - Calculate the overhead absorption rate per moulding hour and determine the profit or loss for each job using absorption costing. **(5 marks)**
- (Total 20 marks)**

12. NOTOR is a firm located in Limbe and it is specialised in the manufacturing for sale of two finished product FPA and FPB from two raw materials RMA and RMB.

The following information was provided by the finance department of NOTOR as concerns the forecasts of 2007, 2008 and 2009 respectively for product FPA:

Elements	Output sold		
	700	800	1000
Sales value	21 000 000	24 000 000	30 000 000
Raw material consumed	6 300 000	7 200 000	9 000 000
Direct labour	5 460 000	6 240 000	7 800 000
Depreciations	2 800 000	2 800 000	2 800 000
Other expenses	6 440 000	6 860 000	7 700 000

NOTOR manufactures and sells 900 units in 2009

Required

- Calculate the costing result of 2009 through the differential operating statement. **(8 marks)**
 - Calculate the costing result of 2009 through the rational absorption of fixed cost and determine the cost of unemployment or the profit on over-activity. **(6 marks)**
- (Total 20 marks)**