

0705/2/2022
Accounting
AL

SOUTH WEST REGIONAL MOCK EXAMINATION GENERAL EDUCATION

THE TEACHERS' RESOURCE UNIT (TRU)
Cellule d'appui à l'action Pédagogique

IN COLLABORATION WITH
En collaboration avec

**THE REGIONAL INSPECTORATES OF PEDAGOGY AND
THE SUBJECT TEACHERS' ASSOCIATIONS (STA)**

FRIDAY, 1st APRIL 2022

ADVANCED LEVEL

Subject Title	ACCOUNTING
Paper Number / Title	Paper 2 – Cost and Management Accounting
Subject Code Number	0705

THREE HOURS

INSTRUCTIONS TO CANDIDATES:

Answer FIVE questions choosing any TWO in section A and ALL in section B.

Calculators are allowed. OHADA Accounting plans are NOT allowed.

In calculations, you MUST show all the steps in your workings.

You are reminded of orderly presentation in your answers.

SECTION A: COST ACCOUNTING

Answer any two questions

1. You are provided with information that were gathered during the year 2021 related to a long term contract at WUMFI Site. The contract is in its first year and will last for 4 years. The contract price is 550,000,000 CFAF.

	000 CFAF
- Wages	42,156
- Materials delivered directly to site	54,203
- Materials from main stores to site	20,000
- Material rejected on site and returned to supplier	500
- Plants transferred to site from another site	12,500
- Plant purchased at cost	5,250
- Site expenses (power)	5,086
- Sub-contractor charges	19,580
- Head office expenses	4,308
- Cost of work completed and certified	102,300
- Value of work completed and certified	117,000

On 31/12/2021, the following closing balances were gathered:

- Materials on site on 31 st December 2021	14,750
- Written down value of plant on 31 st December 2021	4,000
- Prepayment of site expenses on 31 st December 2021	507
- Accrued wages on 31 st December 2021	921

Progress payments are made less 20% retention money.

Required:

- Prepare a contract account for the year ended 31/12/2021.
- Determine the work in progress recorded.
- State two characteristics of a long term contract.

(15 marks)

(3 marks)

(2 marks)

(Total 20 marks)

2. A company uses a special raw material which yields three joint products namely: A, B and C. The joint products are then processed further in a common process which consists of two consecutive stages. The data below relate to the month of August 2021:

	Process 1 (CFAF)	Process 2 (CFAF)
Direct material (30,000 at 20 CFAF per unit)	600,000	-
Labour and overhead costs	765,000	2,262,000
Scrap value of normal loss per unit	5	20

Additional information:

- The output in process 1 is transferred to process 2 and amounted to 26,000 units.
 - The output in process 2 consists of three joint products as follows;
- | | | | |
|------------------|--------|-------|-------|
| Products | A | B | C |
| Quantity (units) | 10,000 | 7,000 | 6,000 |
- The normal loss for both process 1 and process 2 is 10%.
 - The units selling price for A, B and C are 180 CFAF, 200 CFAF and 300 CFAF respectively.
 - All joint products are sold as soon as they are produced.
 - Sales value method of joint costs apportionment is used.

Required:

Prepare the following:

- Process 1 Account
- Process 2 Account
- Income statement for joint products

(7 marks)

(7 marks)

(6 marks)

(Total 20 marks)

3. AWEMO Print Plc is a printing company located in Buea. The company prints Newspapers, Magazines and Text books. The costing is usually done in batches of 5,000 copies, 10,000 copies and 20,000 copies. From past records and budgeted figures, the following data have been estimated for a typical batch of 10,000 copies of Newspapers.

- Direct Charges:
 - Artwork 800,000 CFAF
 - Machine setting 50 hours at 3,500 CFAF per hour
 - Paper 80 reams at 22,000 CFAF per ream
 - Ink and consumables 600,000 CFAF
 - Printers' salaries 80 hours at 7,000 CFAF per hour
- Indirect charges:
 - Production overhead 70,000 CFAF
 - Distribution and selling overhead 35,000 CFAF
- The firm wishes to achieve 30 % profit on cost.

Required:

- a) Present a cost statement to show prime cost, production cost and total cost for the batch of 10,000 copies of Newspapers. (10 marks)
 - b) Determine the profit realised on the batch. (2 marks)
 - c) Calculate the cost price and selling price for each copy of the Newspapers. (4 marks)
 - d) Calculate the selling price and profit realised on each copy of the Newspapers if the profit is instead calculated on the selling price at 30 %. (4 marks)
- (Total 20 marks)**

SECTION B: MANAGEMENT ACCOUNTING

Answer ALL questions

4. FIEN Plc manufactures a standard product in Kang Barombi. The following are the forecasts for the year 2022:

	CFAF
Selling price per unit:	1,200
Variable cost per unit:	
- Direct material	300
- Direct labour	400
- Variable overhead	200
Fixed cost per annum	840,000

Required:

- a. Calculate the break-even point in unit and in value. (4 marks)
 - b. Calculate the margin of safety in unit and in value if sales had been 8,000 units. (4 marks)
 - c. Calculate the profit or loss if sales had been 8,000 units. (4 marks)
 - d. Determine the value of sales necessary to make a profit of 960,000CFAF. (4 marks)
 - e. The company has calculated its margin of safety for next year as 20% on a budgeted sale of 10,000 units a year. If the budgeted contribution per unit is 280CFAF. Calculate the fixed cost for next year. (4 marks)
- (Total 20 marks)**

5. You are given below the pre-established cost of producing a plastic toy for children in AYOUBA Plc.
- Raw materials (plastic): 1 kg at 400 CFAF
 - Direct labour: 2 hours at 600 CFAF each
 - Overheads charges: 1,200 CFAF, of which 200 CFAF is variable

Overheads are absorbed based on direct labour hours. The actual production of the 8,000 plastic toys requires the following:

- 7,000 kg of plastic at 550CFAF each
- 15,000hours of direct labour at 700 CFAF each
- Overheads absorption rate: 1,400CFAF

Required:

- a. Present a comparison table of actual and pre-established cost. (9 marks)
 - b. Analyse the global variance on raw materials into three sub variances. (3 marks)
 - c. Analyse the global variance on direct labour into three sub variances. (3 marks)
 - d. Analyse the variance on overhead charges into three sub variances. (3 marks)
 - e. Represent the sub variances on direct labour on an area graph. (2 marks)
- (Total 20 marks)**

6. TELCAM Ltd. is a company located in Kumba. Its activity consists of manufacturing two products A and B through three different workshops.

- Workshop 1 has 5 machines with a monthly capacity of 360 hours per machine. 5 workers manage each machine. The hours of machine represent the nature of work unit in this workshop.
- Workshop 2 has 4 machines manage by 26 workers. The maximum monthly working hours per worker correspond to 150 hours. The hours of direct labour represent the nature of work unit in this workshop.
- Workshop 3 comprises of 6 machines consuming 15,000 kg of raw materials per machine. The nature of work unit in this workshop is the kg of raw material consume.

The following information concerns a forecast for the month of April 2021.

- Unit selling price: product A is 20,000 CFAF and product B is 17,500 CFAF
- Requirement per product in the workshop:

Products	Workshop 1	Workshop 2	Workshop 3
A	24 minutes	45 minutes	12 kg
B	12 minutes	30 minutes	15 kg

- Contribution to sales ratio: product A is 25 % and product B is 20 %.
- Maximum production: product A is 4,000 units and product B is 5,000 units.

Required:

- a) Calculate the contribution per unit for each product. (2 marks)
 - b) State the objective function to maximise the contribution. (2 marks)
 - c) Write down the constraints as inequalities. (7 marks)
 - d) Draw a linear programming graph and depict the feasible region. (6 marks)
 - e) Determine the optimum production program for each product. (3 marks)
- (Total 20 marks)**