



QQI

BA (HONS) ACCOUNTING & FINANCE

AUTUMN 2024 EXAMINATIONS

Module Code: **B7AF107**
Module Description: **Cost Accounting**
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External Examiner: **Shane Moran**

INSTRUCTIONS TO CANDIDATES.

Time allowed is 3 hours

Answer Question 1 (Compulsory) and any other 3 Questions

All questions carry 25 Marks

By submitting your answers as part of this exam you certify that all work provided is wholly your own, done without the intervention, help or guidance of any third party

SECTION A - COMPULSORY**Question 1**

You have reviewed 5 month's production and cost data in a one of your plants:

	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>
Volume	297	198	387	620	401
Total Costs	€32,500	€29,950	€34,804	€40,500	€34,956

The item produced by the company is sold for €300 (per unit). The company uses an absorption costing system and the composition of variable costs for each item is:

Direct Materials	35%
Direct Labour	48%
Variable Overhead	<u>17%</u>
	100%

Required:

- a) What is the total number of units (volume) produced over the 5 months October to February (inclusive)?

(2 Marks)

- b) What is the total cost of production over the 5 months October to February (inclusive)?

(2 Marks)

- c) Based on the production data for the 5 months, (i.e. your workings in part a) and part b) above what is the average unit production cost (to two decimal places)?

(2 Marks)

- d) What is the total profit for the 5 months?

(2 Marks)

- e) Using the "High-Low" technique, calculate the variable costs and the fixed cost of production.

(3 Marks)

- f) Calculate the cost per unit of:
- (i) Direct Materials
 - (ii) Direct Labour
 - (iii) Variable Overhead

(3 Marks)

- g) If the Direct Labour cost represents 15 minutes effort, what is the hourly labour rate?

(2 Marks)

h) Based on your analysis in part e), what is the profit per unit when 250 units are produced and sold?

(3 Marks)

i) What is the break-even number of units?

(3 Marks)

j) If the monthly market is 3,500 units, what is the break-even market share required by the company?

(3 Marks)

(25 Marks)

SECTION B: ANSWER ANY 3 QUESTIONS**Question 2**

Rent Sports Ltd. make sports bags. At the start of 2023, the company expected to make and sell 800 sports bags in the year. Each sports bag was expected to sell for €400.

Each sports bag has the following specifications:

	Per Sports Bag	Rate
Direct Materials	1 m ²	€28 per m ²
Direct Labour	8 hours	€18 per hour

Variable overhead was budgeted to be €70,400.

The following information relates to the 12 months ending 31st of December 2023, the end of the year under review. All sports bags sold in the year were produced in the year. Sales volumes were 10% higher than budgeted. Each sports bag was sold for €375.

The company used 968m² of leather at a cost of €25 per m². The labour cost was €112,000 and each sports bag took 7 ½ hours of direct labour to produce. Variable Overhead was €73,600 in the year.

Required:

- a) Calculate the budgeted contribution. **(2 Marks)**
- b) Calculate the actual contribution. **(3 Marks)**
- c) Calculate the following variances:
 - (i) Materials Price **(2 Marks)**
 - (ii) Materials Usage **(2 Marks)**
 - (iii) Labour Rate **(2 Marks)**
 - (iv) Labour Efficiency **(2 Marks)**
 - (v) Variable Overhead Expenditure Variance **(2 Marks)**
 - (vi) Variable Overhead Efficiency Variance **(2 Marks)**

(vii) Sales Margin Price Variance

(2 Marks)

(viii) Sales Margin Volume Variance

(2 Marks)

d) Reconcile the actual and budgeted contribution.

(4 Marks)

(Total 25 Marks)

Question 3

The following raw material inventory have been purchased and issued for use in production.

Date	Description	Volume	
01-Jun	Opening	150,000	@ €8.00 per unit
02-Jun	Purchase	75,000	@ €14.00 per unit
08-Jun	Issue	105,000	
10-Jun	Purchase	180,000	@ €16.00 per unit
15-Jun	Purchase	75,000	@ €20.00 per unit
16-Jun	Issue	170,000	
20-Jun	Issue	37,500	
23-Jun	Issue	75,000	
24-Jun	Purchase	112,500	@ €16.00 per unit
28-Jun	Issue	150,000	
30-Jun	Issue	30,000	

Required:

- a) Prepare a statement showing the value of issues and the value of closing inventory using each of the following methods of inventory valuation:

(i) FIFO

(ii) LIFO

(iii) Weighted Average

(21 marks)

- b) Briefly explain the difference between FIFO and Weighted Average cost as methods of pricing the issues of materials into production.

(4 marks)

(25 marks)

Question 4

In the Harvard Business Review article *Yesterday's Accounting Undermines Production* (July 1984), Robert S. Kaplan argues:

"managers [must] learn new ways to think about and measure both product costs and product profitability".

Required:

- a) Describe the major failings exemplified by the experience of the Acme company.

(10 Marks)

- b) Describe the major failings exemplified by the experience of the Carmel company.

(10 Marks)

- c) Describe how overheads are allocated to products in a traditional\Job Costing accounting system.

(5 Marks)

(25 Marks)

Question 5

The following data were taken from the records of the National Water Company:

	October	November	December
	(litres)	(litres)	(litres)
Production	17,000	21,000	15,000
Sales	15,000	20,000	18,000
Opening Inventory	0	2,000	3,000

The following standard data are based on a normal monthly level of activity of 10,000 litres of water:

Direct Material	€4.80
Direct Labour	€2.00
Production Overhead	<u>€2.40</u>
	€9.20

The selling price of the water is €20.00 per litre. Administrative costs are fixed at €3,000 per month and 50% of the production overheads are also fixed.

Required:

a) Prepare operating statements based on:

(i) Marginal costing principles

(10 Marks)

(ii) Absorption costing principles

(10 Marks)

b) Comment on the differences between absorption and marginal costing.

(5 Marks)

(25 Marks)

END OF EXAMINATION