

Management Accounting

May 2015 Result

Q1. a). Absorption Basis

Total Overheads \$ 1,311,400

\$1300 (22000 x 1.5 + 14000 x 1.25 + 20000 x 1.4)

Absorption Rate = \$ 16.94.

Cost	X	Y	Z	6 Marks
Materials	26	27	23	
Labor	29	37	23	
Overheads	<u>25.41</u>	<u>21.18</u>	<u>23.72</u>	
Cost per Unit \$	\$0.41	\$5.18	69.72	

b) ABC Approach

Cost Drivers
Set up \$ $\frac{280,000}{1700} = \$ 164.71$

Material \$ $\frac{316,000}{7600} = \$ 41.58$

Running \$ $\frac{420,000}{81,300} = \$ 5.17$

Facility \$ $\frac{361,400}{\$1300} = \$ 4.45$

6 Marks

Total Cost

b) Contd.

	X	Y	Z
Materials	512,000	318,000	506,000
Labor	638,000	518,000	506,000
Set up	82,355	131,770	65,875
Material Handling	83,160	146,320	66,520
Facility	170,610	90,475	158,915
	146,850	77,875	136,675
Total Cost	<u>1,692,975</u>	<u>1,362,440</u>	<u>1,439,985</u>
Unit	22,000	14,000	22,000
Cost Per Unit	\$ 76.95	\$ 97.32	\$ 65.45

Supplies

c) 1 Mark for each valid point in comparing calculation in part

(a) & (b) . (1 Mark x 10 = 10 Marks)

Q2 (a) $y = 12(8)^{-0.322}$

$y = 6.14$ hrs

Total time $8 \times 6.14 = 49.12$ hrs

$y = 12(7)^{-0.322}$

$y = 6.41$ $7 \times 6.41 = 44.87$ hrs

Incremental time 4.25

$\begin{array}{rcl} & & \$ \\ \text{Labor} & 4.25 \times \$15 & = 63.75 \end{array}$

$\begin{array}{rcl} \text{Variable} & & = 230.00 \end{array}$

293.75

40% Markup 117.50

S. Price \$ 411.25

10 Marks

(b) (i) $y = 12.5(8)$ > than 80% learning effect

4.2815

Total time $8 \times y = 34.3$

$y = 4.2815$

(ii) Price will decrease as the learning curve is more than 80%.

8 Marks

4 Marks

(b) (iii) 1 Mark for each valid
comment on the usefulness
of the learning curve

$$(1 \text{ Mark} \times 8) = 8 \text{ Marks}$$

Q3. (a).

2 Marks for each valid point in assessing the performance of the Sales Manager or the production Manager.

Maximum 15 Marks

(b) 5 Marks for the calculation of each variance.

Maximum 25 Marks