

Management Accounting - August 2015.

Q1.

(a) Traditional.

(i)

	X	Y	Z
Material	10,000	4,500	4,800
Labour	3,200	4,000	3,200
Overheads	15,000	18,750	15,000
Total	28,200	27,250	23,000
No of Units	2,000	1,500	800
Cost per Unit £	14.1	18.17	28.75

Overheads $\frac{48750}{2600} = £18.75$ per Direct Labour Hour

(a) (ii)

ABC -

Cost Drivers.

Material Receipt = $\frac{15600}{31} = £503$
(No of Batches)

Power Cost = $\frac{19500}{18100} = £1.08$
(No. of Power Drill operations)

Material Handling = $\frac{13650}{19400} = £0.70$
(Material Sq Metres)

5 Marks

ABC	X	Y	Z	
Material	10,000	4,500	4,800	
Labour	3,200	4,000	3,200	
Material Receipt	5,030	2,515	8,048	15
Power Cost	12,960	4,860	1,728	Marks.
Handling Cost	5,600	4,300	1,680	
	36,790	22,175	19,456	
No of Units	2000	1500	800	
ABC Cost per Unit £	18.40	14.79	24.32	
Traditional £	14.10	18.17	28.75	

(a) (25 Marks)

(b) An explanation of the relevance of ABC costing using the data above.

2 Marks for each valid point

(10 Marks).

Total 35 Marks

Q2.

(a) Total Cost.

300 Parts = 1st Unit

900 " = 3 Units

5 Marks

$$y = ax^b \quad - 0.234$$

$$y = 6000 (4)$$

$$y = 4338 \text{ Hours}$$

$$\text{Total Time } 4338 \times 4 = 17,352$$

Time for 1st Unit

(6,000)

5 Marks

Incremental Time

11,352

Costs for 900 Parts:

Direct Materials

36,000

(3 x 12,000)

Labour

45,408

(4 x 11,352)

Tooling Cost

-

Variable O/H

5,676

(11,352 x 0.50)

Other O/H

11,352

(25% x 45,408)

Total Cost

98,436

15 Marks

Total a) 25 Marks

(b) 2 Marks for each valid point
in explaining & evaluating the
imitation of the learning curve.
(10 Marks)

Total (35 Marks)

QUESTION THREE

You have recently overheard the following remarks :

- a) 'A favourable direct-labour rate variance can only be caused by staff working more efficiently than budgeted.'
(9 marks)
- b) 'Selling more units than budgeted, because the units were sold at less than standard price, automatically leads to a favourable sales volume variance.'
(7 marks)
- c) 'Using below standard materials will tend to lead to adverse materials usage variances but cannot affect labour variances.'
(6 marks)
- d) 'Higher than budgeted sales could not possibly affect the labour rate variance.'
(5 marks)
- e) 'An adverse sales price variance can only arise from selling a product at less than standard price.'
(5 marks)

Required:

Critically assess these remarks, explaining any technical terms.

(TOTAL 30 MARKS)

1 mark for each valid point within
the 5 statements listed above.

(Total 30 marks)

