

QUESTION I 37.5 MARKS

- | | |
|-----|---|
| 1. | B |
| 2. | D |
| 3. | D |
| 4. | B |
| 5. | A |
| 6. | D |
| 7. | B |
| 8. | B |
| 9. | B |
| 10. | B |
| 11. | D |
| 12. | C |
| 13. | A |
| 14. | B |
| 15. | D |
| 16. | C |
| 17. | D |
| 18. | B |
| 19. | D |
| 20. | B |
| 21. | C |
| 22. | B |
| 23. | B |
| 24. | C |
| 25. | D |

QUESTION II 21. MARKS

- (a) \$78,900 (\$70,000 + \$8,900). **1.5 MARKS**
- (b) \$30,500 [(\$19,000 + \$90,400) – \$78,900 (See (a))]. **1.5 MARKS**
- (c) \$27,200 (Given in other data – \$19,000 + \$8,200). **1.5 MARK**
- (d) \$80,000 (\$104,000 manufacturing overhead applied ÷ 130%).
1.5 MARKS
- (e) \$104,000 (Manufacturing overhead applied). **1.5 MARK**
- (f) \$275,750 [\$27,200 + \$70,000 + \$80,000 + \$104,000 – \$5,450 (See (g))].
1.5 MARKS
- (g) \$5,450 [\$2,000 + \$1,500 + (\$1,500 × 130%)]. **1.5 MARKS**
- (h) \$135,000 (Given in other data). **1.5 MARKS**
- (i) \$275,750 (Same as (f)). **1.5 MARKS**
- (j) \$267,750 [\$135,000 + \$275,750 – \$143,000 (Given in other data)].
1.5 MARKS
- (k) \$143,000 (Given in other data). **1.5 MARKS**
- (l) \$96,000 [\$80,000 (See (d)) + \$16,000]. **1.5 MARKS**
- (m) \$96,000 (Same as (l)). **1.5 MARKS**
- (n) \$82,100 [\$104,000 + \$3,000 (Given in other data) – \$8,900 – \$16,000]. **1.5 MARKS**

QUESTION III 20. MARKS

(a) Unit cost for beginning work in process inventory:

Direct material cost per unit:

Total material cost	\$200,000
÷ Equivalent units (800 × 100%)	<u>800</u>
	<u>\$250.00</u>

Conversion cost per unit:

Total conversion cost	\$200,000
÷ Equivalent units (800 × 50%)	<u>400</u>
	<u>\$500.00</u>

Total unit cost for beginning inventory	<u>\$750.00</u>
	2 MARKS

<u>Quantities</u>	<u>Physical Units</u> (Step 1)	<u>Equivalent Units</u>	
		<u>Materials</u> (Step 2)	<u>Conversion Costs</u>
Units to be accounted for			
Work in process, January 1 50% Con	800		
Started into production	<u>1,200</u>		
Total units	<u>2,000</u>		
Units accounted for			
Transferred out	1,600	1,600	1,600
Work in process, January 31 60% cov	<u>400</u>	<u>400</u>	<u>240</u>
Total equivalent units	<u>2,000</u>	<u>2,000</u>	<u>1,840</u>
		2 MARKS	2 MARKS

Costs	Materials	Conversion Costs	Total
Unit costs (Step 3)			
BWIP	200,000	200,000	\$ 400,000
Costs in January	<u>\$ 300,000</u>	<u>\$720,000</u>	<u>\$1,020,000</u>
Equivalent units	(a) <u>\$500,000</u>	<u>\$920,000</u>	<u>\$1,420,000</u>
Unit costs (a) ÷ (b)	(b) <u>2,000</u>	<u>1,840</u>	
	<u>\$250</u>	<u>\$500</u>	<u>\$750</u>
	2,5 MARKS	2.5 MARKS	

Cost Reconciliation Schedule (Step 4)

Costs accounted for		
Transferred out (1,600 × \$750)	1.5 MARKS	\$1,200,000
Work in process, January 31		
Materials (400 × \$250)		\$100,000
Conversion costs (240 × 500)	1.5 MARKS	<u>120,000</u>
Total costs		<u>\$1,420,000</u>

(C) The answer will not be different because the cost per equivalent unit at January 1 (LAST PERIOD) \$750 is the same as the cost per equivalent unit during January 2012 \$750. **4 MARKS**

QUESTION IV 21.5. MARKS

(a) Predetermined overhead rate using direct labour hours:

$$\$1,000,000 \div 1,250,000 \text{ material costs} = \$0.80 \text{ per material costs } \mathbf{2 \text{ MARKS}}$$

(b) Manufacturing cost per complete kitchen cabinet arrangement under traditional costing **(4 MARKS)**

Direct materials 1 MARK	\$ 180,000
Direct labour 1 MARK	200,000
Overhead (\$180,000 × \$0.80) 1 MARK	<u>144,000</u>
Total cost of 50 Kitchen cabinets	<u><u>\$524,000</u></u>
Cost per stair (\$524,000 ÷ 50) 1 MARK	<u><u>\$10,480</u></u>

(c) Manufacturing cost per complete kitchen cabinet arrangement under activity-based costing: **(11.5 MARKS)**

Determine activity-based overhead rates: (1 MARK EACH)

Handling materials: $\$184,000 \div 8,000 = \23 per move

Production: $\$500,000 \div 100,000 = \5 per direct labour hour

Setting-up: $\$156,000 \div 1,200 = \130 per set-up

Inspecting: $\$160,000 \div 5,000 = \32 per inspection

Assign overhead to the order (1 MARK EACH)

Handling materials (\$23 × 800 moves)	18,400
Production (\$5 × 12,000 direct labour hrs)	60,000
Setting-up (\$130 × 100 set-ups)	13,000
Inspecting (\$32 × 450 inspections)	<u>14,400</u>
Total overhead applied to this order	<u><u>\$105,800</u></u>

Total manufacturing cost per kitchen cabinet under ABC:

Direct materials .75 MARK	\$ 180,000
Direct labour .75 MARK	200,000
Overhead .75 MARK	<u>105.800</u>
Total cost of 50 Kitchen Cabinets	<u><u>\$ 485,800</u></u>

Total cost per Kitchen Cabinet ($\$485,800 \div 50$) **1.25 MARK**..... **\$9,716**

(d) **4 MARKS**

Activity-based costing is the preferred costing system for setting prices because the FOH costs are more accurately reflected. The greater accuracy is a result of differentiate between unit based level **(1.5 MARKS)** such as production (cutting) and non-unit based batch level **(1.5 MARKS)** such as handling, setting-up, and inspection for multiple, more relevant activity cost drivers under ABC than the single cost driver used with the traditional unit volume-based system. **(1 MARKS)**