**Moneague Colleg**

**Cost Accounting**

**Individual Work**

Due Date: May 21, 2021

Instruction: Answer all the questions

**Question 1**

Drinker Ltd received an order for 1200 bottles of champagne. The units were manufactured as Job #525 and passed through three cost centres. Mixing, Bottling and Packing whose overhead absorption rates are as follows:

Mixing $80 per machine hour

Bottling $36 per labour hour

Packing $48 per man hour

**The following production costs and data were recorded:**

Direct Materials $5,040

Labour: Mixing 320 hours @ $22.00 per hour

Bottling 560 hours @ $16.00 per hour

Packing 240 hours @ $18.00 per hour

160 machine hours were recorded in Mixing, and General and Administration overheads are absorbed at 20% of production cost. Profit is calculated at 40% mark-up.

**Required:**

1. Calculate the total cost and selling price for job #525 showing a summarized job card.

***(20 marks)***

1. Prepare the Job Account for job #525. ***(5 marks)***

***(Total 25 marks)***

**Question 2**

Bolder Chemicals Limited manufactures a product, Zander, within two separate processes. For the week ended September 24, 2020 the details were:

### Process1

Materials input, 8000 kilos @ $3 per kilo

Labour $3,680

Overheads $4,300

### Process 2

Materials input 4,400 kilos @$4 per kilo

Labour $2,840

Overheads $2,100 Normal outputs are:

Process1, 90% of input

Process 2, 80% of input

All losses have a scrap value of $0.50 per kilo

Output during the week was 7,400 kilos from Process 1 and 9,200 kilos from Process 2.

**Required:**

As the accounts assistant at Bolder Chemicals Limited you are asked to prepare:

1. The process 1 account for the week ended 24 September 2020 ***(11 marks)***

1. The process 2 account for week ended 24 September 2020 ***(12 marks)***

1. Distinguish between normal and abnormal loss and state how the balances on the abnormal loss and abnormal gain accounts are treated at the end of the accounting period.

***(2 marks)***

**NB. Calculate costs per unit of expected output to the nearest cent.**

***(Total 25 marks)***

**Question 3**

Bradley Ltd. is a small company which manufactures cricket bats. For a number of years, the management accountant has dealt with the recovery of overheads in a traditional manner based on absorption costing principles.

The business has three major production cost centres: shaping, finishing, and packing.

**PART A**

The traditional costing method has produced the following figures for period ended June2003:

|  |  |  |  |
| --- | --- | --- | --- |
| **Cost centre** | **Shaping** | **Finishing** | **Packing** |
| Overhead | $75,000 | $30,000 | $17,500 |
| Machine hours | 12,000 | 6,500 |  |
| Direct labour hours |  |  | 3,300 |
| Overhead recovery rates per machine hour of labour | $6.25 | $4.62 | $5.30 |

A new product The Driver is estimated to take the following hours to produce per unit:

Shaping 3.50

Finishing 1.60

Packing 0.30

5.40 hours

The management accountant together with the production manager agrees the following predetermined costs per unit for The Driver:

Direct Material $17.50

Direct labour 3,300 hours

**Required:**

Calculate the unit cost of The Driver using the company’s traditional, absorption costing method.

***(10 marks)***

**PART B**

The management accountant and production manager of Willows Ltd have recently analysed its value adding processes. They have identified various activities, cost drivers within those activities and production volume information, as below:

|  |  |  |
| --- | --- | --- |
| **Activity** | **Cost Pool** | **Cost driver** |
| Process set up | $47,500 | 100 set ups |
| Material procurement | $ 9,500 | 50 purchase orders |
| Maintenance | $10,000 | 10 standard maintenance plans |
| Material Handling | $22,500 | 2,000 material movements |
| Quality control | $20,500 | 250 inspectors |
| Order processing | $13,000 | 300 customers |
|  | **$122,500** |  |

In the period ended June 2003 the company plans to produce 800 units of its new product, The Driver in addition to its existing product range. To achieve this level of output of The Driver, the following activity levels will be required:

5 set ups

4 purchase orders

2 standard maintenance plans

100 material movements

70 inspections

8 sales customers

**Required:**

1. Calculate the unit cost of The Driver using activity-based costing method. ***(12 marks)***

1. Explain why costs per unit calculated under ABC are often very different to costs per unit calculated under traditional costing method**. *(3 marks)***

***(Total 25 marks)***