

CAPE Accounting

Unit 2 Paper 02

Question 2

Comments

- Part (a) (i): The candidate lost marks for incorrect use of the number of closing stock. 5 500 units should have been used instead of 2 000 units. The candidate was however only penalized once. The candidate got own figure (of) mark for contribution and variable cost of sales – received 6 out of 7 marks for the Marginal Costing Statement.
- Part (a) (ii): For the Absorption Costing Statement, the candidate lost marks for not including Fixed Production Cost of \$640,000 and closing inventory $5\,500 \times \$60$
- Part (a) (iii): Reconciliation statement – candidate is not penalized again
- Part (b): Full marks awarded for this part of the question as the candidate demonstrated a good understanding of the requirements.
- Part (c): Two out of four marks were awarded; a variation of answers accepted. Overall, the candidate demonstrated a fair understanding of the demands of the question and gave a more than average response.

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Question 2. Candidate Number
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i)

Agua lead Ltd
Marginal Costing Income Statement
for the period ending 31 March 2041

Sales (50000 ⁶²⁰⁰⁰ x 95)	\$	\$	\$
			5890000
less Variable Cost of Sales			
Variable Production Cost			3000000
Contribution			2690000
less Closing Stock			

i)

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Agua lead Ltd
Marginal Costing Income Statement
for the period ending 31 March 2011

Sales (62000 x 95)	\$	\$	\$
			5890000
less Variable Cost of Sales			
Opening Stock (3500 x 50)			175000
Opening Stock			175000
Add Variable Production cost			3000000
			3175000
			3175000
less Closing Stock (2500 x 50)			125000
Variable Cost of Sales			125000
Contribution			3075000
less Fixed Overhead Cost			1250000
Fixed Overhead			2815000
Fixed Selling %/n			7640000
Fixed Selling %/n			
Net Income			
		625000	
		450000	
			(1075000)
			1746000
			2515000

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Question 2 contd Candidate Number
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ii) Aqualead Ltd
Absorption costing Statement
for the period ending 31 March 2001

Sales (20000 units)			5890 000
Less cost of goods sold			
Opening stock (3500 x 154.17)	53959.5		
Variable Production Costs	3200 000		
Fixed Production Costs	450 000		
	418959.5		
Less Closing Stock (2000 x 154.17)	(308340)		
Cost of goods sold			(3861255)
Gross Profit			2008745
Less Fixed selling costs			(450000)
Net Profit			<u>1558745</u>

iii)

Aqualead Ltd
Reconciliation Statement
for the period ending 31 March 2001

Profit as per marginal Statement			1740000
Less Difference in opening stock			(364595)
Add Difference in closing stock			208340
Profit as per absorption statement			<u>1583745</u>

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Question 2 contd Candidate Number
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AKupa Engineering
Job V152

\$

\$

\$

Material

Iron (285 x 52.50) 14700

Zinc (195 x 36.80) 7176

Copper (209 x 28.95) 6050.55

Direct Labour Total Materials 27926.55

Direct Labour

Machining Department (200 x 180) 36000

Assembly Dept (336 hrs x 360) 120960

Finishing Dept (184 x 280) 51520

Total Direct Labour 208480

Machining Dept (245 x 80) 19600

Assembly Dept (384 x 336 hr) 129024

Finishing Dept (4.06 x 184 hr) 747.04

Total hrs 149371.04

Job Cost 385777.56

ii) Quotation = Job Cost + Profit

Profit Margin = 25% or $\frac{1}{4}$

\therefore Profit Mark up = $\frac{1}{4} - \frac{1}{3}$

= $\frac{1}{12}$

\therefore Quotation = $\$385777.56 + \left(385777.56 \times \frac{1}{12} \right)$

✓
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Question 2 contd Candidate Number
Write on both sides of the paper and start each answer on a new page.

$$\begin{aligned} &= \$385777.56 + \$128592.52 \\ &= \$514370.08 \end{aligned}$$

- c. i) Production overheads would^{is} be more accurately calculated since they are calculated using a ~~more~~ fitting cost driver and cost pools.
- ii) The activity based costing system shows a clearer picture of profits as overheads would have been more accurately applied.
- iii) Activity Based costing^{rates are} is easier to compute.
- iv) Activity Based costing