**Leeming Senior High School**

**Accounting and Finance ATAR (Year 12)**

**Unit 3**

**Task 2**

**Assessment Type:**

Test

**Total Marks:**

55 marks

**Conditions:**

**Period Allowed for Completion of the Task:**

50 minutes under invigilated conditions.

**Task Weighting**

5% of the school mark for this pair of units

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**Section 1 (10 marks)**

**Answer the first 6 questions by circling the most appropriate answer.**

1.A ‘cost object’ may be described as:

a) A process or product for which costs are measured and assigned

b) A target or standard against which cost performance can be measured

c) A problem area in a firm’s manufacturing process

d)Any of a), b) and c)

2.A job order costing system:

a) Is common in both manufacturing and merchandising firms

b) Allocates costs to a product, batch or service

c) Is essentially the same as process costing

d) Is not suitable for use in service industries

3.A mixed cost contains

a) a variable cost and fixed cost element

b) a product and period cost element

c) both retailing and manufacturing costs

d) both selling and administrative cost elements

4.Variance analysis:

a) Is essentially the same as budget performance reporting

b) Can only be used to evaluate direct costs

c) Measures the difference in performance from one period to the next

d) Compares actual results with a standard amount or value

5. An example of an indirect labour cost includes

1. bakers making bread
2. worker installing solar hot water systems
3. sewing machine operators in a clothing factory
4. cleaners who clean the clothing factory floor

6. When calculating the mark-up for a cost object, management will **not** consider

1. covering all product costs
2. covering all period costs
3. competition prices in the marketplace
4. the price consumers are willing to pay

7 Explain the following costs, showing how they would be classified (asset or expense) and giving an example of each. (4 marks)

**Product Costs and Period Costs**

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**Section 2 (45 marks)**

Question 8 (17 marks)

Celebrity Catering Pty Ltd, located in Cottesloe, provides continental cuisine for the VIP boxes at major events. They have been asked to quote for the upcoming World Cup qualifying match and have estimated the following:

|  |  |  |
| --- | --- | --- |
| **Catering Kitchen** | | |
| Overheads | $140 000 per month | Allocated by oven hours |
| Direct Materials | $80 000 |  |
| Direct Labour | 150 hours | Rate is $25 per hour |
| Equipment (Oven) Hours | 100 hours |  |
|  |  |  |
| **Catering Service** | | |
| Overheads | $180 000 per month | Allocated by direct labour hours |
| Direct Labour | 75 workers for an average of 20 hours each | Rate is $15 per hour |

**Additional Information:**

* Expected direct labour hours per month is 6600, which consists of 6000 hours for the Service Department and 600 hours for the Kitchen Department.
* Estimated ovens hours per month is 2000.

**Required**

1. Calculate the predetermined overhead rates for both the kitchen and service sections of the business. (4 marks)

**Workings:**

Predetermined Overhead Rate for the Kitchen Department: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Predetermined Overhead Rate for the Service Department: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Calculate the total cost of catering for this function. (11 marks)

**Workings:**

Total Cost of Catering this Function: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. If Celebrity Catering Pty Ltd has a mark-up of 120%, calculate the price to be quoted.

(2 marks)

**Workings:**

Price to be Quoted: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Question 7 (11 marks)

Petersen Pushbikes makes bicycles in a factory at Geraldton. They make two models, the Jackflash Racing Bike and the Alpmaster Mountain Bike. The production costs and sales are estimated to be as follows:

|  |  |  |
| --- | --- | --- |
|  | **Jackflash** | **Alpmaster** |
| Direct Materials Per Unit | $82 | $70 |
| Manufacturing Labour Per Unit | 3 hours @ $40/hour | 3.5 hours @ $40/hour |
| Estimated Annual Production | 2000 units | 3000 units |
| Budgeted Selling Price | $550 | $450 |

Fixed costs are estimated as follows:

**Manufacturing Overheads**

Factory Rent and Maintenance Costs $102 000

Supervisor Salary $162 000

**General Overheads**

Salaries and Wages $240 000

Marketing Costs $125 000

Manufacturing overheads are allocated on the basis of labour hours. The total number of labour hours expected to be worked in the year is 16 500 hours.

**Required**

Calculate the standard cost per unit of both models. (11 marks)

**Workings:**

Standard Cost (Jackflash): $ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ per unit

Standard Cost (Alpmaster): $ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ per unit

Question 8 (8 marks)

A company manufactures skirts. The materials used are cotton fabric, buttons, labels and threads. The cotton fabric is regarded as direct materials, while the buttons, labels and threads are indirect materials and part of the manufacturing overheads.

The standard cost of direct materials is $12.50 per metre, while the actual cost of direct materials is $12.70 per metre. The company purchased 25,000 metres of material.

The standard material quantity is 3.1 metres per skirt. The company manufactures 2,000 skirts for the month. The actual quantity used is 6,500 metres.

(a) Calculate the direct material price variance and comment on the reason for the variance.

(4 marks)

**Workings**:

Direct Material Price Variance: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Comment: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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(b) Calculate the direct materials usage variance and comment on the reason for the variance. (4 marks)

**Workings:**

Direct Material Usage Variance:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Comment: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Question 9 (9 marks)

A company manufactures skateboards. The standard rate of the company for direct labour is $25 per hour. Each skateboard should require 20 hours of direct labour to manufacture. Last month the company made 600 skateboards. The actual direct labour consumed was 14 000 hours at $24 per hour.

(a) Calculate the direct labour rate variance and comment on the reason for the variance. (4 marks)

**Workings**:

Direct Labour Rate Variance: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Comment: : \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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(b) Calculate the direct labour efficiency variance and comment on the reason for the variance. (5 marks)

**Workings:**

Direct Labour Efficiency Variance: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Comment: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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