**Leeming Senior High School**

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

**Unit 3**

**Task 2**

**Assessment Type:**

Test

**Total Marks:**

68 marks

**Conditions:**

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

60 minutes under invigilated conditions.

**Task Weighting**

5% of the school mark for this pair of units

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**Section 1 (5 marks)**

**Answer the first 5 questions by circling the most appropriate answer.**

1 A company pays its sales staff 8% commission on each car sold. The cost is classified as

1. indirect, period and variable.
2. direct, product and fixed.
3. direct, period and variable.
4. indirect, product and fixed.

2 Manufacturing overheads consist of

1. direct material and not direct labour.
2. indirect material and not indirect labour.
3. direct material and direct labour.
4. Indirect material and indirect labour.

3 Mark-up is the difference between

1. direct costs and indirect costs.
2. cost and selling price.
3. profit achieved and selling price.
4. fixed costs and variable costs.

4 Job order costing would be most appropriate for which of the following industries?

1. Custom bridal wear production
2. Pharmaceutical manufacturing
3. Microchip production
4. Sports shoe manufacturing

5 Cost leadership is a strategy that

1. enables a business to sell its goods or services at the same price as its competitors.
2. Recognises a business as providing a product that is distinct from competing products.
3. Focuses on the lowering of costs to improve the business’ competitive position.
4. Measures a business’ overheads costs in relation to producing goods and services.

**Section 2 (63 marks)**

**Answer the following questions in the spaces provided.**

**Question 7 (26 marks)**

M-Sighrus Ltd manufactures a range of designer hand-beaded kaftans for the local market. It uses a job order costing system. Indirect manufacturing costs are allocated using a predetermined overhead rate based on the cost driver of direct labour hours.

At the beginning of 2020, the budgeted indirect manufacturing costs were forecast to be $1 680 000. The estimated direct labour hours for 2020 were 120 000 hours.

The following information was extracted from M-Sighrus Ltd’s accounting records for the month ended 31 October 2020:

* 2 500 kaftans were manufactured;
* the standard costs for each kaftan were as follows:
  + direct materials: 3.7 square metres @ $25.00 per square metre; and
  + direct labour: 2 hours per kaftan @ $18.00 per direct labour hour.
* direct materials purchased and used were 8 750 square metres at $25.50 per square metre; and
* direct labour hours worked were 6 250 hours @ $17.00 per hour.

(a) Calculate the predetermined overhead rate. (2 marks)

**Workings:**

Predetermined overhead rate: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(b) Calculate the standard cost for one (1) kaftan manufactured during the month ended 31 October 2020. (6 marks)

**Workings:**

Standard cost for one (1) kaftan: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(c) Calculate the following standard cost variances for the month of October 2020.

1. Direct materials price variance. (4 marks)

**Workings:**

Direct materials price variance: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Direct materials usage variance. (5 marks)

**Workings:**

Direct materials usage variance: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Direct labour rate variance. (4 marks)

**Workings:**

Direct labour rate variance: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Direct labour efficiency variance. (5 marks)

**Workings:**

Direct labour efficiency variance: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Question 8 (37 marks)**

Well-That’s-Fabulous Ltd is a boutique business that manufactures three different quality desserts. The desserts are:

* Meyroonfive Sundaes;
* Good Bunny Fluff; and
* Me-go’s Sorbet.

The details for each department and the budgeted overheads and cost drivers for 2020 are detailed below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Make It Department** | **Mix It Department** | **Pack It Department** |
| **Estimated Overheads** | $205 000 | $7 700 | $30 000 |
| **Estimated Allocation Base** | 1 000 Machine Hours | 500 Machine Hours | 6 000 Direct Labour Hors |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Direct Materials** | **Direct Labour** | **Machine Hours** |
| **Make It Department** |  | 18 Hours @ $58 Per Hour | 11 Hours |
| Powdered Egg White | $7 500 |  |  |
| Sugar | $5 000 |  |  |
| Corn Syrup | $2 200 |  |  |
| Cream of Tartar | $65 |  |  |
| Vanilla Extract | $120 |  |  |
| **Mix It Department** | Nil | 21 Hours @ $32 Per Hour | 32 Hours |
| **Pack It Department** |  | 52 Hours @ $25 Per Hour | 40 Hours |
| Plastic Tubs | $1 500 |  |  |
| Labels | $650 |  |  |

The batch of Good Bunny Fluff made 10 000 x 180 ml tubs.

(a) Calculate the predetermined overhead rate for each department.

1. Make It Department. (2 marks)

**Workings:**

Predetermined overhead rate for Make It Department: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Mix It Department. (2 marks)

**Workings:**

Predetermined overhead rate for Mix It Department: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Pack It Department. (2 marks)

**Workings:**

Predetermined overhead rate for Pack It Department: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(b) Calculate the total cost of the batch of Good Bunny Fluff. (20 marks)

**Workings:**

Total cost of the batch of Good Bunny Fluff: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(c) Calculate the cost of one tub of Good Bunny Fluff. (2 marks)

**Workings:**

Cost of one tub of Good Bunny Fluff: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(d) Well-That’s-Fabulous Ltd has set its mark up as 120% on cost for Good Bunny Fluff. Calculate the selling price of one tub of Good Bunny Fluff. (3 marks)

**Workings:**

Selling price of one tub of Good Bunny Fluff: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(e) A business may classify costs in different categories. Explain each of the cost classifications below: (6 marks)

Behaviours:

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Relationships to cost objects:

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