

**THE INSTITUTE OF CHARTERED
ACCOUNTANTS (GHANA)**



**MAY 2010 EXAMINATIONS
(PROFESSIONAL)**

PART 3

**COST AND MANAGEMENT ACCOUNTING
(Paper 3.3)**

Attempt ALL Questions

TIME ALLOWED:

Reading & Planning	-	15 Minutes
Working	-	3 Hours

QUESTION 1

Budgeting and Budgetary Control are important management accounting techniques which can benefit all forms of business enterprise if fully understood and properly operated.

Required:

- a) (i) Explain **three (3)** benefits derived from budgeting.
(ii) Explain **three (3)** objectives and **three (3)** limitations of Budgetary Control.
(9 marks)
- b) SN Ltd manufactures product X. An estimate of the number of units expected to be sold in the first four months of the year are: January 500, February 600, March 800, and April 1,000.

It is anticipated that:

- (i) There will be no work-in-progress at the end of any month, and
(ii) Finished units equal to half the anticipated sales for the next month will be in stock at the end of each month including December last year.

The budgeted production and production costs for the year are as follows:

Direct materials per unit	GH¢12
Direct wages per unit	GH¢5
Other manufacturing charges	GH¢33,000

Prepare a Production Budget showing the number of units to be manufactured each of the first three months.

(5 marks)

- c) Outline the relationship between Budgetary Control and Standard Costing and identify the managerial procedures identical to these techniques.

(6 marks)

(Total: 20 marks)

QUESTION 2

- a) K Ltd is considering producing computers in 12 hours with a variable cost of GH¢20. The supplier price per computer is GH¢40. If K Ltd decides to make the computer it

will mean sacrificing the production of its own product printer which takes 50 hours to make and has a variable cost of GH¢300 and selling price of GH¢400.

Advise whether K Ltd should buy the computer or make it.

(10 marks)

- b) A company blends three raw materials M, N, O, for its final product in the proportion of 2:3:5.

When 20 kilograms of all the inputs are put into process 18 kilograms of finished products are turned out.

The standard cost of the materials are as following

M GH¢2.5 N GH¢1.8 O GH¢1.00

In the month of February 2010 the actual results were as follows

	Units	Price (GH¢)
M	16,500	2.25
N	25,000	1.60
O	<u>39,500</u>	1.40
	80,000	

The actual output for the month was 70,000 kilograms. 1000 kilograms of material O was left as closing stock.

Required:

Calculate the Material Price, Mix and Yield Variances.

(10 marks)

(Total: 20 marks)

QUESTION 3

Ewiase Co Ltd is considering the introduction of a new product with the following cost and revenue structure:

- The product will be sold for GH¢1,000 per unit.
- A machinery costing GH¢1 million would be required with a useful life of 8 years with zero residual value at the end of the period.
- Working capital requirements are estimated at GH¢250,000.

