

FNSACC613

Prepare and analyse management
accounting information

Assessment 1

LA019399

What you have to do

This assessment consists of six (6) tasks. All tasks must be completed.

You **must** use the Excel template provided under Resources required for this assessment

Competency requirements

Students must achieve a satisfactory result in each task to pass this assessment.

If you do not satisfactorily complete any of the tasks (i.e. you do not achieve the nominated passing mark for that task) then you will be required to do a gap assessment or a resubmit of the entire assessment. Please note you will not be able to attempt the assessment more than twice.

To achieve a satisfactory result in this assessment you must achieve (at least) the following results for each task:

Tasks	Marks available	Marks required to satisfactorily complete
Direct and absorption costing		
Task 1	5	3
Task 2	25	15
Activity based costing		
Task 3	7	5
Task 4	15	9
Task 5	20	10
Process Costing		
Task 6	28	18
Result		Satisfactory / Unsatisfactory

Direct and absorption costing

Task 1 (5 marks)

The following data relates to Dott Ltd for the year ended 30th June 2018:

	Direct Costing	Absorption Costing
Sales	\$600,000	\$600,000
Net Profit	254,000	252,000
Inventories: 30th June 2017	164,000	176,000
Inventories: 30th June 2018	156,000	166,000

Required:

Prepare a Reconciliation of the difference between the 2018 net profits under direct and absorption costing.

Task 2 (25 marks)

The Lake Side Company currently uses direct costing. The general manager has asked you to demonstrate the difference in profit or loss if they changed to absorption costing. The following information should be used.

The actual costs for July 2018 were:

Cost	Units	Amount \$
Sales	6,000 units	\$3000,000
Variable manufacturing costs		\$48,000
Fixed manufacturing costs		\$32,000
Fixed selling and administration		\$30,200
Budgeted and actual production	\$10,000 units	
Opening inventory	Nil	

Required:

- a) Prepare an Income Statement (Profit and Loss Statement) using direct costing
- b) Prepare an Income Statement (Profit and Loss Statement) using absorption costing
- c) Prepare a reconciliation of the difference between the net profits under direct and absorption costing.
- d) Using a **Financial Software package such as MYOB or Xero** produce an Income Statement (Profit and Loss Statement).
 - i. Provide evidence of this report, either by including a screen dump of the report, or including a copy of the pdf version of the report.
 - ii. Name the Financial Software Package that you have used to produce the report.
 - iii. What is the Net Profit as shown on the Income Statement (Profit and Loss Statement)?
 - iv. Net Profit will be affected by whether management has chosen to use Direct Costing or Absorption Costing. Which of these methods would result in a higher net profit on the Income Statement (Profit and Loss Statement)?

Activity based costing

Task 3 (7 marks)

Calculate the application rate for each of the following activities using the cost drivers given (to **two** decimal places):

Activity Area	Budgeted Overhead Cost	Cost Drivers	Budgeted Level for Cost Driver
General overheads	350,000	Total labour hours	55,000
Computer related costs	150,000	Machine hours	20,700
Maintenance	40,000	Number of requests	580
Stores Department	200,000	Number of store movements	24,000
Support Labour	750,000	Support hours	13,000
Direct labour	1,900,000	Direct labour hours	42,000
Factory related costs	1,250,000	Machine hours	52,500

Task 4 (15 marks)

Black and White is a firm of tax advisors. You are provided with the following budget prepared using activity based costing principles:

Activity Area	Budgeted Overhead Cost	Cost Drivers	Budgeted Level for Cost Driver
Professional labour	\$ 720,000	Professional hours	4,000
Support labour	228,000	Support hours	6,000
Phones/faxes	10,000	Number of calls	8,000
Search fees	40,000	Number of searches	2,500
Photocopying	2,000	Number of copies	5,000
General overhead	<u>650,250</u>	Professional hours	4,000
Total costs	\$1,650,250		

One client required the use of the following cost drivers:

Activity area	Use
Professional labour	35 hours
Support labour	30 hours
Phones/faxes	90 calls
Search fees	30 searches
Photocopying	300 copies

Required:

- Calculate the activity allocation rate to 2 decimal places
- Calculate the total cost for the client.
- If the firm requires a profit of 30% on cost, how much should be charged for this job?

Task 5 (20 marks)

Maxx Ltd now produces two products, a premium Lawn Mower (the Chopper) and an economy version (the Cutter). The prime cost (i.e. direct materials and direct labour costs) are \$380.00 for the Chopper and \$300.00 for the Cutter.

To produce the Chopper, it requires 3 hours of direct labour; and only 2 hours to produce the Cutter. Factory overhead is allocated based on direct labour hours. The total budgeted factory overhead was \$220,000 and direct labour hours were estimated at 8,000 hours.

The general manager has asked you to review the costing of these two products and compare the traditional method of costing with activity based costing. The details of the factory overhead budget and the identified cost drivers are:

Cost drivers	Chopper	Cutter
Machine hours	3.0	3.5
Kilowatt hours	4.2	4.5
Maintenance requisitions	0.3	0.7
Purchase requisitions	3.0	2.0
Quality control inspections	0.7	1.5

Budget:

Cost	\$	Cost driver	Units
Store handling	84,000	No. of requisitions	3,500
Electricity	50,000	Kilowatt hours	6,580
Machine expenses	36,000	Machine hours	4,500
Quality Control	24,000	Inspections	1,000
Maintenance	26,000	No. of requests	500
Total	220,000		

Required:

- Calculate the cost per unit for each product using the traditional cost allocation method.
- Calculate the cost per unit for each product using activity based costing.

Process Costing

Task 6 (28 marks)

Smithe Ltd manufactures Brass Ashtrays and uses a process costing system. Only one product is produced in a single process. Polished Metal is input at the start of the process. Each unit produced is a 3 centimetre high Brass Ashtray.

Units emerging from the process are transferred immediately to finished goods. Conversion costs include labour and factory overheads are incurred uniformly throughout the process.

The goods are inspected at the end of the process before they are transferred to finished goods. Any Spoiled units are removed. Spoilage is usually 1% of good output and is added to the cost of good units leaving production. Abnormal Spoilage is not included in the cost of goods transferred to Finished Goods.

Production details for April are:

Details	Units	Completion rate
Work in process 1 April	1,000 units	50% complete
Units started in April	40,000 units	
Work in process 30 April	1,500 units	50% complete
Units completed in April	38,500 units	

Costs details are:

Date	Cost	Amount
Work in process 1 April	Material	\$ 20,000
	Direct labour	\$ 4,000
Costs incurred in April:	Material	\$800,000
	Direct Labour	\$318,000

Factory overhead is applied at the rate of 200% of direct labour cost.

Required:

- a) Prepare a cost of production report (process cost summary report) for the month of April, using weighted average inventory valuation, showing:
 - i. The physical units
 - ii. The equivalent units and cost per equivalent units
 - iii. The value of work in process at 30 April
 - iv. The value of inventory transferred to finished goods during the month.
- b) Show the work in process account for the month of April