



## ACCOUNTING

## Paper 4 Cost and Management Accounting

May/June 2024

**1 hour**

- This insert contains all of the sources referred to in the questions.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.



**[Turn over**

**Source A for Question 1**

WJ plc uses activity based costing (ABC). It calculates selling prices by adding a mark-up of 50% to the total of budgeted direct costs and overheads of each product.

The following information is available.

- 1 Each year the company manufactures and sells 200 units of Product A and 480 units of Product B.
- 2 Information about the budgeted direct costs of **Product A** is as follows:

direct materials	cost \$28 000 per annum, using 7 kilos per unit
direct labour	requires 9 hours per unit, paid at \$11 per hour

- 3 Budgeted overheads per annum for **both** products are as follows:

	\$	
quality inspections	12 000	180 inspections for Product A and 320 for Product B
order processing	18 000	240 orders for Product A and 120 for Product B
other overheads	37 400	apportioned on the basis of units produced

**Source B for Question 2**

P Limited manufactures Product Exe and operates a system of standard costing.

Budgeted production and sales of Product Exe is 11 000 units per month. Its standard data per unit of Product Exe was as follows:

Selling price	\$210
Direct materials	4 kilos at \$7.60 per kilo
Direct labour	3 hours at \$10.50 per hour

When the actual results for April 2024 were known the following variances were calculated.

sales price	\$55 000 adverse
sales volume	nil
material price	\$4 290 favourable
material usage	\$8 360 favourable
labour rate	nil
labour efficiency	\$57 750 adverse

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