

0705/2/2023
Accounting
GCE AL

SOUTH WEST REGIONAL MOCK EXAMINATION GENERAL CERTIFICATE OF EDUCATION

THE TEACHERS' RESOURCE UNIT (TRU)
Cellule d'appui à l'action Pédagogique

IN COLLABORATION WITH
En collaboration avec

THE REGIONAL INSPECTORATES OF PEDAGOGY AND
THE SUBJECT TEACHERS' ASSOCIATIONS (STA)

FRIDAY, 24th MARCH 2023

ADVANCED LEVEL

Subject Title	ACCOUNTING
Paper Number / Title	Paper 2 – Cost and Management Accounting
Subject Code Number	0705/2/0

THREE HOURS

INSTRUCTIONS TO CANDIDATES:

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Answer FIVE questions choosing any TWO in section A and ALL in section B.

Calculators are allowed. OHADA Accounting plans are NOT allowed.

In calculations, you MUST show all the steps in your workings.

You are reminded of orderly presentation in your answers.



SECTION A: COST ACCOUNTING

Answer any two questions

1. LAFIX Ltd is a bakery specialised in the baking of bread and all types of pastries. In the month of June 2020, the company received an order for the production 3,000 units of a special cake. The following costs were incurred in two different department for the production of the Batch

Departments	A	420 Labour hours at 350 FCFA each
	B	686 Labour hour at 300 FCFA each
Indirect material cost: 328,000 FCFA		

Factory overheads are absorbed based on labour hours and the rates are 80F per hour for department A and 50F per hour for department B. Administrative overheads are absorbed at 10% of selling price. The firm uses a cost – plus – system for selling prices and expects a 25% gross profit (sales value less factory cost)

Required:

- Calculate the sales value and the selling price per unit (14 marks)
- Calculate the amount of administrative overheads absorbed by the batch. (2 marks)
- Present the net profit for the batch. (4 marks)

(Total 20 marks)

2. The information below relates to a contract currently carried out by ZAMBO construction Ltd.

	CFAF (000)
Balances brought forward:	
Completed work	3,256
Materials on site	120
Written down value of plant and machinery	1,496
Wages accrued	40
Transactions for the year:	
Materials delivered to sites	1,584
Wages paid	880
Salaries and other costs	200
Written down value of plant issued to sites	-
Head office expenses apportioned during the year	200
Balances carried forward at the end of the year:	
Materials on site	-
Written down value of plant and machinery	920
Wages accrued	60
Value of work certified at the end of the year	6,000



The agreed retention money is 10% of the value of work certified by the contractee's architects.

Required:

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Prepare a contract account for the contracts and recommend how much profit or loss should be taken up for the year.

(Total 20 marks)

3. The annual consumption of brown rice in ABC ltd is 15,000 KG. The cost of placing an order is 1,500 CFAF while the storage cost represents 10% of the purchase cost of stock. The purchase price of a kg is 200 CFAF.

Required:

- Determine the EOQ. (3 marks)
- Determine the optimal number of orders (3 marks)
- Enumerate three components of the storage cost and ordering cost respectively. (6 marks)
- Define:
 - EOQ
 - Reorder point
 - Lead time
 - Buffer

(8 marks)

(Total 20 marks)

SECTION B: MANAGEMENT ACCOUNTING

Answer ALL questions

4. The cost accountant of SAVE OUR PEOPLE (SOP) Enterprise intends to estimate the point at which the company would be comfortable. The budgeted data relating to the cost of producing a single product for the year 2023 is presented below:

- Fixed production cost	2,000,000 FCFA
- Variable cost per unit	200 FCFA
- Selling price per unit	600 FCFA
- Quantity produced and sold	15,000 units

Required:

- Formulate a linear equation for the profit of the company. (3 marks)
- At what level of output and sales should the company break-even? (4 marks)
- What is the expected profit at an output level of 15,000 units? (2 marks)
- At what output should the company break-even if they expect to make an after tax profit of 2,000,000 FCFA taxable at 33%? (3 marks)
- What is the margin of safety in units and in sales base on your result in (d) above? (4 marks)
- Hence, determine the date of attainment of the BEP base on your result in (b) above and safety index. (4 marks)

(Total 20 marks)

5. SOUND & MUSIC GROUP decides to diversify its production. The manager of the company wishes to undertake the manufacturing of a micro-computer. For the year 2023, a unique model will be retained: "OLIVETT". Before launching such program, you are asked to proceed to the forecasting and detailed study of this activity. In order to produce, the company hesitates between two different projects:

Properties	Project A	Project B
Acquisition price	8,000,000 CFAP	14,000,000 CFAP
Life span	5 years	5 years
Residual value	500,000 CFAP	Nil
Annual Cash flows expected	1,800,000 CFAP for the 1 st year and 4,000,000 CFAP for the following 4 years	5,000,000 CFAP for each year

Required:

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- Advise the management for the best project to undertake using:
 - The accounting rate of return on initial capital for both project (6 marks)
 - The Net present value method at a discount rate of 12%. (12 marks)
- State two advantages of discounted technique over non-discounted techniques of investment appraisal. (2 marks)

(Total 20 marks)



Alpha Study Group

