

UGANDA MARTYRS UNIVERSITY, LUBAGA CAMPUS

**FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

DEPARTMENT OF ACCOUNTING & FINANCE

**ACC 2205: COST ACCOUNTING FINAL ASSESSMENT
2017/18**

BAM 2 EVENING LUBAGA

DATE: 7th August 2018

Time allowed: 3 hours

Instructions to Candidates:

Read the following before answering the examination questions.

- 1) Do not write anything on this question paper.
- 2) Attempt any **four (4)** questions of your choice
- 3) All Questions carry equal marks
- 4) Show all necessary workings

QUESTION ONE

Discuss how cost accounting can be used by the management of a specific organization to make and implement strategic decisions in the organization. Use an organization of your choice to illustrate your answer. **(25 marks)**

QUESTION TWO

- a) Define Cost Accounting. **(3 marks)**
- b) Explain how important cost accounting is for any organization of your choice. **(8 marks)**
- c) Compare Cost and Financial Accounting. **(7 marks)**
- d) Compare Cost and Management Accounting. **(7 marks)**

QUESTION THREE

- (a) Explain any five factors that Organizations focus on when setting Stock levels? **(5 marks)**
- (b) The following details relate to the stores records of FEMA Ltd for the month of February 2018

1st Feb 2018 : Received 500 units @ \$20 per unit
10th Feb: Received 300 units @ \$24 per unit
15th Feb: Issued 700 units
20th Feb: Received 400 units @ \$28 per unit
25th Feb: Issued 300 units
26th Feb: Returns of 10 units @ \$20 were made back to the stores
27th Feb: Received 500 units @ \$22 per unit
28th Feb: Issued 200 units.

Required: 1. Prepare a stores ledger record card using;

- First In First Out (FIFO) method **(9 marks)**
- Simple Average method **(9 marks)**

2. For both methods, determine the value of closing stock. **(2 marks)**

QUESTION FOUR

- a) Highlight some of the contents of an employee payslip? **(5 marks)**
- b) Mourinho FC Ltd employs 8 workers with the following pay details for the month of January 2018.

ID No.	Name	Hours of field work in the month
FC 01	Diego Costa	100
FC 02	Oscar	80
FC 03	Samuel Eto'	60
FC 04	Fernando	45
FC 05	Cecs Fabregas	70
FC 06	Petr Cech	85
FC 07	Eden Hazard	120
FC 08	Didier Drogba	90

The following information relates to the above workers.

- Basic field work hours are 6 hours per day for 10 days in a month
- The wage rate per hour is shs, 3000
- The first 10 hours are paid for a time and half of the basic rate and excess are paid for at a double time rate
- Cecs Fabregas, their supervisor is entitled to a responsibility allowance of shs. 37,500 per month.
- Medical allowance is given to all workers at a rate of shs. 50,000 per month.
- One of the employees, no.2 is a Portuguese by descent

The following deductions are made:

National Social Security Fund (NSSF)

Local service tax, all workers are assessed to pay shs. 120,000 per annum deductible in the first three calendar months with equal instalments

Employees FC 04 and FC 08 got salary loans this month and agreed to pay back shs. 25,000 per month beginning in February 2018

PAYE is payable as follows;

Residents

Chargeable income (per month)	Rate of tax
Not exceeding Ug.shs 235,000	Nil
Exceeding Ug.shs 235,000 but not exceeding Ug.shs 335,000	10% of the amount by which chargeable income exceeds Ug.shs 235,000.
Exceeding Ug.shs 335,000 but not exceeding Ug.shs 410,000	Ug.shs 10,000 plus 20% of the amount by which chargeable income exceeds Ug.shs 335,000.
Exceeding Ug.shs 410,000	(a) Ug. shs 25,000 plus 30% of the amount by which chargeable income exceeds Ug.shs 410,000 and (b) Where chargeable income of an individual exceeds Ug.shs 10,000,000 an additional 10% charged on the amount by which chargeable income exceeds Ug.shs 10 ,000,000

Non residents

Chargeable income (per month)	Rate of tax
Not exceeding Ug.shs 335,000	10%
Exceeding Ug.shs 335,000 but not exceeding Ug.shs 410,000	Ug.shs 33,500 plus 20% of the amount by which chargeable income exceeds Ug.shs 335,000.
Exceeding Ug.shs 410,000	(a) Ug.shs 48,500 plus 30% of the amount by which chargeable income exceeds Ug.shs 410,000 and (b) Where chargeable income of an individual exceeds Ug.shs 10,000,000 an additional 10% charged on the amount by which chargeable income exceeds Ug.shs 10 ,000,000

Required:

Design a suitable payroll for Mourinho FC Limited for the month of January 2018. **(20 marks)**

QUESTION FIVE

- Distinguish overhead cost allocation and apportionment. **[4 marks]**
- The following costs were incurred by Marikas Manufacturing for the year 2017/2018

Direct Material cost

Machining Department A	20,000,000
Machining Department B	16,000,000
Assembly Department	12,000,000

Direct Wages

Machining Department A	8,000,000
Machining Department B	4,000,000
Assembly Department	2,000,000

Indirect Materials cost

Machining Department A	1,200,000
Machining Department B	800,000
Assembly Department	400,000
Stores Department	200,000
Estates Department	160,000

Indirect Wages

Machining Department A	1,600,000
Machining Department B	800,000
Assembly Department	1,200,000
Stores Department	400,000
Estates Department	240,000

Other Costs

Rent and Rates	8,000,000
Depreciation of Machinery	4,000,000
Staff Welfare Costs	12,000,000
Machine Power Costs	20,000,000
Maintenance Costs	12,000,000

Additional Information

	DEPARTMENTS				
	Machining		Assembly	Stores	Estates
	A	B			
No of Employees	8	6	10	4	2
Area (sqm)	100	150	50	60	40
Machine Power (in Horse Power)	10	20	20		
Maintenance Hours	1,000	500	500		
Machine hours	1,000	500			

Labour hours	600	400	200		
Value of Machinery (in millions)	40	30	10		

Machining Departments A, B and Assembly Department C are production departments while Stores and Estates Departments are service departments.

The costs of the service departments are redistributed to the production departments as follows:

	DEPARTMENTS				
	Machining		Assembly	Stores	Estates
	A	B			
Department X	50%	30%	20%	-	-
Department Y	60%	20%	20%	-	-

Required: Carry out

- Primary apportionment of overheads, clearly spelling out the cost drivers **(15 marks)**
- Secondary apportionment of overheads using the direct method **(3 marks)**
- Using appropriate criteria, compute overhead recovery rates for each of the production departments. **(3 marks)**

QUESTION SIX

- Briefly explain the difference between the following cost classifications giving relevant examples. **(3 marks each)**
 - Product costs and Period costs
 - Direct costs and Indirect costs
 - Fixed costs and Variable costs

b) The following costs and activities were incurred by a manufacturing concern;

Period	Activities (units)	Costs (\$)
1	120	2,200
2	50	1,500
3	90	1,900
4	140	2,400
5	150	2,500

Required:

1. Using the Least squares method of regression, compute the variable cost per unit of output. **(6 marks)**
2. Compute the fixed costs for the period. **(3 marks)**
3. Determine the total cost function. **(1 mark)**
4. Using the determined total cost function, compute the total costs the factory is planning to produce 2,000 units. **(3 marks)**
5. How many units can the factory produce with a budget of \$5,000 **(3 marks)**