

UGANDA MARTYRS UNIVERSITY, NKOZI CAMPUS

**FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

DEPARTMENT OF ACCOUNTING & FINANCE

**ACC 2205: COST ACCOUNTING FINAL ASSESSMENT
2021/22**

BSC A&F 2 JAN INTAKE

DATE: 20th July 2022

Time allowed: 3 hours (09:30am – 12:30pm)

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) Explain the difference between perpetual and periodic systems of inventory taking/ recording. (5 marks)

b) ABC Limited stores department had the following transactions for the month of February 2015.

DATE	DETAILS OF TRANSACTIONS
Feb 01	Opening balance 500 units at \$ 1.00 per unit
02	Received 400 units at \$ 1.05 per unit
04	Issued 600 units
08	Issued 100 units
12	Returns to the stores 50 units at \$1.00 per unit
15	Received 350 units at \$ 1.15 per unit
17	Issued 450 units
20	Received 200 units at \$ 1.25 per unit
22	Issued 300 units
25	Received 150 units at \$ 1.30 per unit

Required:

- i. Prepare the stores ledger using Simple Average method of stock taking. (12 marks)
- ii. Determine the following from the stores ledger
 - Total cost of materials issued (2 mark)
 - Total cost of materials received (2 mark)
 - Value of closing stock (4 marks)

QUESTION THREE

- a) Explain briefly any FIVE factors that should be considered when fixing stock levels in an organization. **(5 marks)**
- b) The following information was obtained from the books of Vincent and Salima manufacturing company.
- | | |
|---------------------|-----------------------|
| Maximum consumption | 15,000 units per week |
| Minimum consumption | 13,000 units per week |
| Lead time | 4 - 6 weeks |
| Re-order quantity | 30,000 units |

Required: Calculate the following;

- The re-order level **(4 marks)**
 - Minimum stock level **(4 marks)**
 - Average stock level **(4 marks)**
 - Maximum stock level **(4 marks)**
- c) Vincent and Salima manufacturing company has an annual demand for product Z of 60,000 units per annum. The cost price per unit is \$4,500 and stock holding cost is $33\frac{1}{3}$ % per annum of the stock value. Delivery cost per batch is \$320.

Required: Calculate the Economic Order Quantity (E.O.Q) **(4 marks)**

QUESTION FOUR

- a) Meagan normally works a 35 hour week, and is paid \$5 per hour. In one week she accumulates 12 hours of overtime, one hour each weekday, and 7 hours on Saturday. How much is her overtime-pay if:
- She is paid at a time and a half of the normal rate for all overtime hours? **(2 marks)**
 - She is paid at a time and a half for evening overtime and double time rate for weekend overtime? **(2 marks)**
 - She is paid at a time and a half for the first 8 hours overtime and double time thereafter? **(2 marks)**
- b) Time rate or day rate method is one of the methods used in the remuneration of workers. Give two advantages and 2 disadvantages of using this mode of payment. **(4 marks)**

- ii) Give two scenarios or circumstances under which this method of payment is applicable (4 marks)
- c) The following jobs were given to William levy to make a smart phone

Job	Units
A	50
B	70
C	60
D	90

- i) Calculate William levy's earnings using the straight piece work line method of payment if the pay per unit is \$ 500 (4 marks)
- ii) A differential piece work was employed to pay William levy on the following terms. The first 20 units of each job are paid at \$ 200 per unit, rising by the same amount for subsequent 10 units. Calculate the total earnings of William levy using this differential piece work method. (7 marks)

QUESTION FIVE

- a) Explain the 4 methods of secondary apportionment giving the specific points to consider under each method. (8 marks)
- b) Wavah & Sons Ltd has three production departments, that is; Department X, Department Y Department Z. Two service departments, these are; Stores and Maintenance. Below are the estimated overheads for the production period:

Indirect wages: Shs '000'

Department X	9,000
Department Y	7,000
Department Z	5,000
Stores	1,000
Maintenance	3,000

The following are the other overheads for Wavah Ltd:

	Shs '000'
Staff welfare	4,500
Rent	10,000

Lighting	2,000
Depreciation of plant and machinery	1,000
Power	3,000

Additional information:

	Dept X	Dept Y	Dept Z	Stores	Maintenance
Floor space (sqm)	1000	3500	2000	900	400
Machine hours	100	250	150	-	-
Book values machines (Shs)	3,400,000	5,500,000	1,500,000	900,000	500,000
Machine power	200	350	120	50	20
Light points	25	40	30	15	5
No of employees	15	30	25	5	2

The overheads of the service departments are to be apportioned as follows:

	Department X	Department Y	Department Z	Stores	Maintenance
Stores	25%	40%	30%	-	5%
Maintenance	20%	35%	30%	15%	-

Required:

1. Carry out primary apportionment and then secondary apportionment using the algebraic method. **(14 marks)**
2. Compute the overhead recovery rates using machine hours for the production departments. **(3 marks)**

QUESTION SIX

a) Describe any five (5) differences between marginal costing and absorption costing techniques. (5 marks)

b) KK Ltd has provided you with the following information for the year 2021.

Cost per unit	Ug shs
- Direct materials	3,000
- Direct Labour	5,000
- Variable production overheads	2,000
- Variable selling and administration	4,000

Unit selling price 25,000/=

Fixed annual production costs 20,000,000/=

Fixed annual selling and admin costs 10,000,000/=

Beginning inventory 500 units, units produced 7,000 units and units sold 6,000.

Required: Prepare a Statement of Comprehensive Income for KK Ltd for the year 2021 using Marginal costing method. (20 marks)