

UGANDA MARTYRS UNIVERSITY, NKOZI CAMPUS

**FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

DEPARTMENT OF ACCOUNTING & FINANCE

PSM 2206: COST & MANAGEMENT ACCOUNTING

FINAL ASSESSMENT 2021/22

BPSCM II AUGUST INTAKE

DATE: 15th July 2022

Time allowed: 3 hours (9:30am to 12:30pm)

Instructions to Candidates:

Read the following before answering the examination questions.

- 1) Do not write anything on this question paper.
- 2) Exam has two sections A & B, attempt **any two questions from each section**
- 3) Attempt 4 questions in total, all questions carry equal marks
- 4) Show all necessary workings

SECTION A: COST ACCOUNTING (Attempt any two questions from this section)

QUESTION ONE

- a) Define Cost Accounting. **(3 marks)**
- b) Explain how important cost accounting is for any organization of your choice. **(8 marks)**
- c) Explain the differences between Cost Accounting and Financial Accounting. **(14 marks)**

QUESTION TWO

- a) Briefly explain the difference between the following cost classifications giving relevant examples.

- i) Product costs and Period costs **(3 marks)**
- ii) Direct costs and Indirect costs **(3 marks)**
- iii) Fixed costs and Variable costs **(3 marks)**

- 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 Range (High-low) method, 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 likely to incur if its planning to produce 2,000 units. **(3 marks)**
- 5. How many units can the factory produce with a budget of \$5,000 **(3 marks)**

QUESTION THREE

(a) Explain any five factors that Organizations focus on when setting Stock levels? **(10 marks)**

(b) The following details relate to the stores records of FEMA Ltd for the month of February 2020

1st Feb: 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 Record Card using First in First Out method **(10 marks)**
2. Determine the Quantity and Value of closing stock. **(5 marks)**

SECTION B: MANAGEMENT ACCOUNTING (Attempt any two questions from this section)

QUESTION FOUR

a. Explain with examples *any five (5)* of the following concepts as used in Management Accounting **(3 marks each)**

1. Margin of safety
2. Contribution margin
3. Zero based budgeting
4. Incremental budgeting
5. Cost Volume Profit Analysis
6. Activity based budgeting

b. In making decisions, management of an organization goes through a specific process. Briefly explain the stages in the decision-making process using an organization of your choice as an example. **(10 marks)**

QUESTION FIVE

Mini company has provided you with the following information for the year ended 30/06/2021

	Per unit costs in shs
Selling price	2,000
Direct material cost	800
Direct labour cost	600
Variable overheads	400

Fixed costs for the period are 10,000,000/=. units produced and sold are 100,000 units and the company targets a profit after tax of 28,000,000/= with a tax rate of 30%.

Required:

- Determine the contribution and variable cost ratios. **(7 marks)**
- Determine Breakeven point in units and revenue. **(6 marks)**
- Determine Margin of Safety in units and revenue. **(6 marks)**
- Determine number of units to be produced and revenue to be earned by the company to meet the profit target. **(6 marks)**

QUESTION SIX

- Explain what Flexible budgets are and highlight any 3 advantages of flexible budgeting **(5 marks)**
- Jesa Dairy Farm attains sales of Ugx 6,000,000 when operating at 80% of its normal capacity.

The following expenses are given by the accountant.

Office salaries	900,000/=
General expenses	2% of sales
Depreciation of machinery	75,000/=
Rent costs	87,500/=
Transport expenses	2% of sales
Sales office expenses	8% of sales
Bonus to sales staff	1% of sales
Salaries to Farm staff	150,000/=
Other expenses	4% of sales

Required: Draw up flexible budgets indicating above costs at the following levels of operating; 90% and 100%. Compute how much profit will be made by the farm at those levels of operating. **(20 marks)**