

UGANDA MARTYRS UNIVERSITY, MBALE CAMPUS

FACULTY OF BUSINESS ADMINISTRATION AND  
MANAGEMENT

ACC 2205; COST ACCOUNTING TEST 2018 BAM 2

DATE 10<sup>th</sup> May 2018

TIME ALLOWED 3HRS

STARTING TIME

INSTRUCTIONS TO CANDIDATES

This paper contains six questions, you are must attempt any four questions

Read the following before answering the examination questions.

- 1] Read each question carefully before you answer
  - 2] Apportion your time according to the marks allocated for each question
  - 3] Answer the questions that you can obtain the most marks
  - 4] Number the answers to the questions clearly before answering
  - 5] Please write as neatly as possible
  - 6] Do not write anything on this question paper
- QI a] Name and explains any three methods of labor remuneration 3marks
- b] Explains any four limitation of cost accounting 4mark

- c] With maximum stock limit of 50,000kgs, minimum stock limit of 8,000kgs, reorder level of 25,000kgs, buffer stock of 2,000kgs, determine EOQ, when minimum anticipated usage is 8,000kgs, lead time 5 to 10 days 5marks
- d] With EOQ of 1,000 units, cost per order 15,000shs, total holding cost of 225,000shs, average inventory of 750units, determine Annual demand 7marks
- e] Describe the main stages of absorption costing. 6marks

Q 2 a] Explain any four differences between cost accounting and financial accounting. 4 marks

b] Explain in details any six main objectives of cost accounting to Management 6 marks

c] From the following information of AB Co, show the process accounts, scrap account and abnormal loss or gain account

Processes A, materials input was 10,000 units at a cost of shs 20,000,000, direct labor cost shs 26,000,000, actual output was 9455 units, Normal loss 5%, Overheads is absorbed on the basis of direct labor 80% at each process Scraps could cost 15,000shs each. 12 marks

d] Explains any three demerits of valuing inventory using LIFO method 3 marks

Q3a] Explains steps use in process costing 4 marks

b] Explain any five limitation of Cost volume profit analysis 5marks

c] In a period where opening inventory is 7,000 units and closing inventory of 3,000units, production of 4,000 units, cost of sales of 10,000,000shs and contribution of 15,000,000shs, variable selling cost is 10% of total sales, determine the selling price 5marks

d] ABC Ltd provided the following information, Budgeted sales was 8,000 units, actual sales were 7,500 units, budgeted production was 7,500units, actual production was 7000units, opening inventory was 3,000 units, closing inventory 2,500units. The following are cost per unit in shs; direct materials 25, 000, direct labor 10,000, direct expenses 8,000, variables production overheads 6,000. Selling price was 70,000 shs, fixed administration cost of 200,000shs, selling and distribution cost [fixed] was 400,000 shs, fixed production cost was 11,250,000hs.

Required; determine profit or loss using absorption costing technique. 11marks

Q4 a] Gives three clear reasons that under normal circumstances without issues to do with errors why inventory records in cost accounting may not agree with the physical quantities of materials actually held in the stores at time. 3marks

b] What is budget 2marks?

c] KWATAKWATA [U] LTD, a tea manufacturing company produces three products namely, UGZ 1, UGZ 2 and UGZ 3, the following information were available in relation to the products.

<b>Particulars</b>	<b>UGZ1</b>	<b>UGZ2</b>	<b>UGZ3</b>
Direct labor per unit [shs]	500	550	600
Direct materials per unit [shs]	200	150	500
Actual production/sales [units]	500,000	150,000	300,000
Direct labor hour per unit	0.001	0.01	0.005
Direct machine hour per unit	0.01	0.04	0.02
Selling price per unit [shs]	1000	900	1100

Annual production overheads are distributed as follows

Particulars	shs
Machining costs	6,000,000
Components costs	16,000,000
Setup costs	25,000,000
Packing costs	30,000,000
Total production costs	77,000,000

The following cost drivers' data were also available

Particulars	UGZ1	UGZ2	UGZ3
Labor hours per unit	0.001	0.01	0.005
Machines hours per unit	0.01	0.04	0.02
Number of production setups	3000	10,000	26,000
Number of components	4,000	6,000	20,000
Number of customers orders	2,100	4,000	25,000

Required, using activity based costing, compute the net profit per units 15marks

[d] Comment on the figures calculated above in[c] 5marks

Q 5 [a] Explain the difficulties associated with calculation of overheads  
2marks

[b] Explains the major steps use in overheads distribution 4marks

[c] Explains marginal costing in detail 2marks

[d][ 1]- Why is contribution concepts employed by management. 3marks

[ 2]-In a period where opening inventory was 7,000 units, no production, closing inventory was 3,000 units, KK Ltd had a profit of shs 10,000,000 using absorption costing technique, the fixed overhead absorption rate was 1,500 shs per unit,

Required, determine the profit using marginal costing and what would happen if closing inventory increase and decrease 7marks

[ 3]-Determine the total contribution from the given information 7marks

Direct materials per unit shs400, direct labor per unit shs600, and variables cost per unit shs700, fixed selling cost per unit shs400, variable selling cost per unit shs500, selling price 3000shs, and units produced and sold 7,000 units

**Note that there was no opening and closing inventory.**

Q 6 [a] ABC LTD has two production department [Assembly and Finishing] and two service departments [Maintenance and Canteen].

The following budgeted costs are for the next quarter

Particulars	shs
Indirect materials	20,000,000
Rent	15,000,000
Electricity	10,000,000

Indirect labor 16,000,000

Direct labor 125,000,000

The following additional information were available

Particulars	Assembly	Finishing	Maintenance	Canteen
Area in [Sq meters]	3000	4000	1000	1000
KW hours consumed	3500	5000	2000	500
Indirect materials budget [shs]	5,000,000	10,000,000	3,000,000	2,000,000
Indirect labor budget [shs]	4,000,000	5,000,000	6,000,000	1,000,000
Direct labor hours	40,000	5,000	-	-

Required, complete an overhead analysis sheet clearly showing the workings. 10 marks

[b] Give any four characteristics of a good wage system 4 marks

[c] From the following prepare a cost sheet of CKA Ltd, clearly showing prime cost and factory cost 8marks

Direct Raw materials 150,000shs,direct wages 40,000shs, direct expenses 10,000shs, factory overheads ; rent 20,000shs, power 5000shs, indirect wages 4000shs,depreciation of plant 6000shs, administration expenses 15,000shs and selling and distribution 17,000shs

[d] Name any three main users of cost accounting information and explains how and why they use such information 3marks

GOOD LUCK