

**UGANDA MARTYRS UNIVERSITY, LUBAGA CAMPUS**

**FACULTY OF BUSINESS ADMINISTRATION AND  
MANAGEMENT**

**DEPARTMENT OF ACCOUNTING & FINANCE**

**BAM 2 SEMESTER TWO 2017/18**

**COURSE UNIT: COST ACCOUNTING**

**DATE: Wednesday, 2<sup>nd</sup> May 2018**

**Time allowed: 2:00pm- 5:00pm**

**Instructions to Candidates:**

Read the following before answering the examination questions.

- 1) Do not write anything on this question paper.
- 2) Write neatly and show all workings clearly.
- 3) Start every question on a new page
- 4) Clearly state the question number & sections attempted
- 5) Answer **any four** questions, all questions carry equal marks

### **QUESTION ONE**

- a) Cost accounting deals with attaching a cost on a product or service or operation.  
Briefly discuss the major objectives for attaching costs onto a particular product or service. **(5 Marks)**
- b) Discuss the process followed in the procurement and issue of materials. **(10 Marks)**
- c) Describe any five duties of a cost accountant. **(10 Marks)**

### **QUESTION TWO**

Ndunya Ltd has three production departments: X, Y, and Z, and two service departments: Stores and Maintenance. The company absorbs its overhead costs on a machine hour basis in departments X and Y, and a direct labor hour basis in department Z. The company has budgeted its production overhead costs for the forthcoming year as follows:

Indirect Wages	48,000,000
Depreciation	188,000,000
Rent	73,500,000
Canteen costs	61,500,000
Plant insurance	42,000,000
<b>Total</b>	<b>413,000,000</b>

*Additional information:*

	PRODUCTION DEPTS			SERVICE DEPTS	
	A	B	C	STORES	MAINTENANCE
Labor hours	9,000	7,000	16,000	4,000	4,000
Plant value (\$)	\$130,000	\$70,000	\$20,000	\$5,000	\$10,000
Floor area (sq. m.)	40,000	30,000	20,000	10,000	5,000
Machine hours	12,000	15,000	5,000	-	4,000
No. of employees	75	60	50	8	12
No. stores	10,000	8,000	2,000	-	2,000

#### **Required:**

- a) Prepare an overhead cost analysis for the period concerned, showing clearly the basis of apportionment used. **(9 marks)**.
- b) Carry out secondary apportionment of overheads, using direct method. (Re-apportion the maintenance costs on the basis of machine hours. **(3 marks)**
- c) Calculate the overhead absorption rates for each of the **three** production departments.(use labor hours as the base **(3 marks)**
- d) Calculate the selling price of Job No XYZ 050 (to the nearest Shs) based on the estimates below and using the absorption rates calculated in (c) above. The company requires a profit of 20% of the selling price.

Material 40 kilos @ Shs. 5,000 per kilo

Direct labor A 10 hours @ Shs. 15,000 per hour

Direct labor B 4 hours @ Shs. 14,000 per hour  
Direct labor C 12 hours @ Shs. 16,000 per hour  
Machine hours A 15 hours  
Machine hours B 10 hours

**(10 Marks)**

**QUESTION THREE**

- a) Uganda Martyrs University Employs Examination markers in the month of May, to work for 8 hours and for 25 days in a month. The University has a policy on the standard scripts to be marked by each examiner as follows
- (i) It expects the examiner to mark each script of paper at 650/=, subject to a guaranteed minimum wage of 95,000/= per day.
  - (ii) Transport and lunch allowance is 10,000/= per day
  - (iii) Medical allowance is 40,000 per week.
  - (iv) Standard output per day per examiner is 200 scripts of papers.
  - (v) Incentive bonus up to 80% efficiency is nil, and above 80% efficiency is 25,000/= for every 1% increment above 80%.
  - (vi) The details of performance of five external examiners for the month is as follows:

Name	No. of days worked	Total scripts marked
Dr. Mwesigwa	22	3900
Dr. Manyi	25	4600
Dr. Denzi	15	2300
Dr. Bazze	25	4000
Dr. Bam	24	4200

Using the above information, calculate the total earning for examiner in the month of July **(15 marks)**

- (b) Uganda Martyrs University has different incentive schemes set out by the Human resource handbook. Discuss the importance of such schemes to an academic institution. **(10 marks)**

#### **QUESTION FOUR**

MASAI factory produces a product which goes through 3 processes. At the beginning of the month of September 2016, raw materials amounting to 20,000kgs at 1000/= each were introduced to process 1. No stock of materials or WIP in any department at the beginning and end of period. Below are the conversion costs

<b>PROCESSES</b>	<b>1</b> <b>Shs."000"</b>	<b>2</b> <b>(Shs."000"</b>	<b>3</b> <b>Shs."000"</b>
Additional Materials	10,000	9000	8,000
Direct Labor Cost	3,500	5,200	8,500
Direct Expenses	3,000	3,800	800
Outputs (units)	19,800	18,500	16,000

#### **Additional information**

Production overheads costs are absorbed as 20% of cost of direct labor. The policy of the company is to provide for normal loss at the percentages in the table below. The loss in each process represented scrap which could be sold to merchant at a value below

	<b>Normal loss( %ge)</b>	<b>Scrap value Shs"000"</b>
Process 1	5%	500 per unit
Process 2	10%	300 per unit
Process 3	5%	200 per unit

**Required:** To prepare relevant accounts **(25 marks)**

#### **QUESTION FIVE**

(a) write notes on the following (3 marks each)

- i. Maximum Level
- ii. Danger Level
- iii. Minimum level
- iv. Perpetual inventory system
- v. Just in time Inventory system

(b) The following data has been provided by Mega Industries Ltd regarding the way it manages its raw materials.

Annual demand	4800 Units
Ordering cost	4.8/=
Unit price	8.0/=
Storage cots	2%

