

UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS AND MANAGEMENT

DEPARTMENT OF ACCOUNTING AND FINANCE

YEAR II SEMESTER II EXAMINATIONS

2022/2023

BAM II AND BSC ACC & FIN II -NKOZI

COURSE CODE: ACC2204

COURSE NAME: COST ACCOUNTING

Date: TUESDAY 13th December, 2022

Time: 9:30 AM – 12:30PM

INSTRUCTIONS:

1. Time allowed: **3 hours**
 2. The Examination paper consists of six Questions
 3. Attempt any **four** questions.
 4. All questions carry equal marks.
 5. Your work must be neat and show all relevant workings
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Question One

- a) Management of Jowo Company limited is considering using either marginal costing or absorption costing and they have contacted you as an expert in costing for proper understanding. Explain to them what you understand by marginal costing and absorption costing and why they should choose either marginal costing or absorption costing. (09 marks)
- b) In a period, 20,000 units of Z were produced and sold. Out of the 20,000 units of produced, only 18,000 units were sold and 2,000 units were carried forward as stock to the next period. Costs and revenues were:

Sales	100,000,000
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Production costs

Variable	35,000,000
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Fixed	15,000,000
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Admin and selling OH

Fixed	15,000,000
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Variable	10,000,000
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Required: Produce operating statements based upon marginal costing and absorption costing principles. (16 marks)

Question Two

- a) Explain the Inventory Control Techniques that the organization can in order to control the inventory shortages in its stores (5 Marks)
- b) The following details relate to the stores records of FEMA Ltd for the month of January 2020

The received side of the Stores Ledger Account shows the following particulars:

- Jan. 1 Opening Balance: 500 units @ Shs.4

- Jan. 5 Received from vendor: 200 units @ Shs.4.25
- Jan.12 Received from vendor: 150 units @ Shs.4.10
- Jan.20 Received from vendor: 300 units @ Shs.4.50
- Jan.25 Received from vendor: 400 units @ Shs.4

Issues of material were as follows:

- Jan. 4- 200 units; Jan.10- 400 units; Jan. 15- 100 units; Jan 19- 100 units; Jan.26- 200 units; Jan.30- 250 units.
- Issues are to be priced on the principle of “first in first out”.

Required:

Write the Stores Ledger Account in respect of the materials for the month of January. (20 Marks)

Question Three

Explain each of these cost classifications, with examples specifying the types of costs that may be included. (25 marks)

- Avoidable costs and unavoidable costs
- Direct costs and indirect costs
- Fixed costs and Variable costs
- Controllable and non-controllable costs
- Normal and abnormal costs

Question Four

- Outline the major five objectives of stock control in an Organization (5 marks)
- Explain any 5 factors that affect stock level in an organization (5 marks)
- Japolo Company limited has provided you with the following information in relation its store and material control
 - Minimum consumption = 100 units per day
 - Maximum consumption = 150 units per day
 - Normal consumption = 120 units per day

- (iv) Re-order period = 10-15 days
 (v) Re-order quantity = 1,500 units
 (vi) Normal re-order period = 12 days

Required: Calculate the minimum stock level, maximum stock level, re-ordering level and average stock level **(15 Marks)**

Question Five

- a) Explain any five (5) bases that can be used for overhead apportionment **(10 marks)**
 b) ABC Company limited has two production departments and two service departments and provides you the following data:

	Production Departments		Service Departments	
	P1	P2	S1	S2
Direct Materials	40,000	30,000	20,000	10,000
Direct Wages	15,000	20,000	5,000	10,000
Floor Area (sq. feet)	5,000	4,000	3,000	2,000
Value of Plant & Machinery	50,000	60,000	20,000	10,000
Value of Stock	35,000	25,000	5,000	5,000
Number of workers	100	50	25	25
Number of Light points	200	50	25	25
Horse Power of Machine	50	25	15	15

The indirect expenses for the period were:

Factory Rent, Rates, Taxes & Repairs	14,000
Depreciation, Insurances & Repairs of machinery	28,000
Insurance of stock	700
Supervision & Staff welfare expenses	2,000

Stores Overheads	1,000
Lighting & Heating	3,000
Power	1,000

Required: Prepare the Statement showing the apportionment of overheads. **(15 marks)**

Question Six

a) Explain the five major Causes of a high Labour turnover rate **(10 Marks)**

b) The following information is supplied to you:

- i. Standard time for a month : 4000 Hours
- ii. Standard wage rate : 5,000/= per hour
- iii. Number of labourers employed : 30
- iv. Average working days in a month : 25
- v. No. of hours a worker works per day : 7 hours
- vi. Total wage bill in a month : 32,812,000/=
- vii. Idle time due to power failure : 100 hours

You are required to calculate the following:

- i. Labour Cost Variance **(5 Marks)**
- ii. Labour Rate Variance **(4 Marks)**
- iii. Labour Efficiency Variance **(4 Marks)**
- iv. Labour Idle Time Variance **(2 Marks)**

THE END