UGANDA MARTYRS UNIVERSITY
NKOZI/LUBAGA CAMPUS

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

DEPARTMENT OF ACCOUNTING & FINANCE

SEMESTER TWO 2018/19

BAM II DAY LUBAGA

COURSE UNIT: COST ACCOUNTING

DATE: 30th/04/2019

Time allowed: 3hours

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

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

a) Period costs and product costs
b) Direct costs and indirect costs
c) Fixed costs and Variable costs
d) Controllable and non-controllable costs
e) Normal and abnormal costs

QUESTION TWO

(a) LINI University employed external examiners in the month of May, to work for 8 hours a day 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 500/=, subject to a guaranteed minimum wage of 90,000/= per day.

(ii) Transport and lunch allowance is 15,000/= per day

(iii) Standard output per day per examiner is 200 scripts of papers.

(iv) Incentive bonus up to 85% efficiency is nil, and above 85% efficiency is 20,000/= for every 1% increment above 85%.

(v) The details of performance of five external examiner for the month of May is a follows:

Name	**No. of days worked**	**Total scripts marked**
Dr. Twanzane	22	3800
Dr. Yonasi	25	4500
Dr. Nimwowa	15	2500
Dr. Kwanzire	25	4000
Dr. Banu	24	4200

Using the above information, calculate the total earning for each examiner in the month of May (13 Marks)

(b) Write short notes on the following **(3 marks each)**

(i) Incentive scheme

(ii) Labour turnover

(iii) Overtime premium

(iv) Differential piece work method

QUESTION THREE

Uganda Baati limited, manufacturers of roofing products, intends to produce 20,000 galvanised iron sheets which are homogenous. To produce these units, it has been estimated that the following costs will be incurred:

Materials

- **i)** The company will require 10 tons of galvanized iron at a cost of 50,000/- per ton
- **ii)** The company will require 20 tons of aluminium at 30,000/- per ton

Labour

- **i)** Usually the company employs workers from two departments, A & B.
- **ii)** Department A, 20 men are required for 10 days and each man will be paid 5,000/- per day
- **iii)** Department B, Workers will work for 400 hours at a rate of 500/- per hour

Variable overheads in Department A will be recovered as 40% of total direct wages in the same department, while in Department B; overheads will be recovered at 30% of prime costs to the incurred on the same batch.

The company will further incur 300/- per sheet **as fixed production overhead.**

Required:

- **i)** Determine the cost of the batch **(17 marks)**
- **ii)** Determine the cost of each sheet **(02 marks)**
- iii) Assuming the company's policy is to earn a 30% gross profit on sale, advice the company on the selling price for:
  - a) A batch **(3 marks)**
  - b) A sheet **(3 marks)**

QUESTION FOUR

a) Explain any two methods (approaches) that can be used to estimate costs (6 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

- i. Generate a cost estimation model with the function y = a+bx using the least squares method (10 marks)
- ii. Using the model in (i) above split the costs in period five into fixed and variable component. (3 marks)
- iii. Using the model in (i) above estimate the total costs that will be incurred if 2,000 units are produced. (3 marks)

iv. Using the model in (i) above estimate the number of units to be produced if a total cost budget of $5,000 is set aside. (3 marks)

QUESTION FIVE

Mukisa is a small business which has the following budgeted marginal costing profit and loss account for the month ended 30 November 2018:

	£	£
Sales		48,000
Cost of sales:		
Opening stock	3,000	
Production costs	36,000	
Closing stock	(7,000)	
		(32,000)
		16,000
Other variable costs:		
Selling		(3,200)
Contribution		12,800
Fixed costs:		
Production overheads		(4,000)
Administration		(3,600)
Selling		(1,200)
Net profit		4,000

The standard cost per unit is:

	£
Direct materials (1kg)	8
Direct labour (3 hours)	9
Variable overheads (3 hours)	3
	20
Budgeted selling price per unit	30

The normal level of activity is 2,000 units per month. Fixed production costs are budgeted at £4,000 per month and absorbed on the normal level of activity of units produced.

Required:

a) Prepare a budgeted profit and loss account under absorption costing for the month ended 30 November 2018 **(20 marks)**

b) Reconcile the profits under marginal costing with profits under absorption costing. **(5marks)**

QUESTION SIX

The general manager of Hotloaf Uganda Ltd has received a recommendation from the board of directors to recruit a cost accountant.

a. Describe any five tasks of a cost accountant (5 marks).
b. Explain to the general manager any seven reasons for hiring a cost accountant for the organization. (7 marks)
c. Describe any eight differences between cost accounting and financial accounting. (13 marks)

END

FORMULAR

$$a = \frac{\sum y \sum x^2 - \sum x \sum xy}{n(\sum x^2) - (\sum x)^2}$$

$$b = \frac{n\sum xy - \sum x \sum y}{n(\sum x^2) - (\sum x)^2}$$