

UGANDA MARTYRS UNIVERSITY, NKOZI CAMPUS

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

COST ACCOUNTING SPECIAL/SUPPLEMENTARY Exam 2015

BAM 11

DATE: 11th/08/2015

Time allowed: 3 hours

Instructions to Candidates:

Read the following before answering the examination questions.

- 1) Do not write anything on this question paper.
- 2) Attempt any four (4) questions of your choice
- 3) All Questions carry equal marks
- 4) Show all necessary workings

QUESTION ONE

- a) Define Cost Accounting. (3 marks)
- b) Explain how important cost accounting is for any organization. (8 marks)
- c) Compare cost and financial accounting. (7 marks)
- d) Compare cost and management accounting. (7 marks)

QUESTION TWO

- a) It is possible that physical counting of materials may not agree with the stores ledger. List any six causes of such differences. (6 marks)
- b) Explain any five Inventory control techniques that can be used to minimize losses of materials from the store. (10 marks)
- c) Two types of materials A100 and B101 are used by Mukwano Company in the manufacture of product X as follows:

| | |
|-------------------|-----------------------------------|
| Normal Usage | 250 units per week |
| Minimum Usage | 175 units per week |
| Maximum Usage | 525 units per week |
| Re-order quantity | A = 2100 units and B = 3500 units |
| Re-order period | A = 6-8 weeks and B = 3-5 weeks |

Required: Compute for each type of material, the:

- i) Re-order level (3 marks)
- ii) Minimum stock level (3 marks)
- iii) Maximum stock level (3 marks)

QUESTION THREE

- i. Meagan normally works a 35 hour week, and is paid \$5 per hour. In one week she accumulates 12 hours of overtime, one hour each week day, and 7 hours on Saturday. How much is her overtime-pay if:
 - (a) She is paid at a time and a half of the normal rate for all overtime hours? (2 marks)
 - (b) She is paid at a time and a half for evening overtime and double time rate for weekend overtime? (2 marks)
 - (c) She is paid at a time and a half for the first 8 hours overtime and double time thereafter? (2 marks)

- ii. Time rate or day rate method is one of the methods used in the remuneration of workers. Give two advantages and 2 disadvantages of using this mode of payment. **(4 marks)**
- iii. Give two scenarios or circumstances under which this method of payment is applicable **(4 marks)**
- iv. The following jobs were given to William levy to make a smart phone

| Job | Units |
|-----|-------|
| A | 50 |
| B | 70 |
| C | 60 |
| D | 90 |

- Calculate William levy's earnings using the straight piece work line method of payment if the pay per unit is \$ 500 **(4 marks)**
- v. A differential piece work was employed to pay William levy on the following terms. The first 20 units of each job are paid at \$ 200 per unit, rising by the same amount for subsequent 10 units. Calculate the total earnings of William levy using this differential piece work method. **(7 marks)**

QUESTION FOUR

- a. Explain the different methods of secondary apportionment giving the specific points to consider under each method. **(5 marks)**
- b. Wavah & Sons Ltd has three production departments, that is; Department X, Department Y Department Z. Two service departments, these are; Stores and Maintenance. Below are the estimated overheads for the production period:

| Indirect wages: | Shs '000' |
|-----------------|-----------|
| Department X | 9,000 |
| Department Y | 7,000 |
| Department Z | 5,000 |
| Stores | 1,000 |
| Maintenance | 3,000 |

The following are the other overheads for Wavah Ltd:

| | Shs '000' |
|-------------------------------------|-----------|
| Staff welfare | 4,500 |
| Rent | 10,000 |
| Lighting | 2,000 |
| Depreciation of plant and machinery | 1,000 |
| Power | 3,000 |

Additional information:

| | Department X | Department Y | Department Z | Stores | Maintenance |
|----------------------------|--------------|--------------|--------------|---------|-------------|
| Floor space (sqm) | 1000 | 3500 | 2000 | 900 | 400 |
| Machine hours | 100 | 250 | 150 | - | - |
| Book values machines (Shs) | 3,400,000 | 5,500,000 | 1,500,000 | 900,000 | 500,000 |
| Machine power | 200 | 350 | 120 | 50 | 20 |
| Light points | 25 | 40 | 30 | 15 | 5 |
| No of employees | 15 | 30 | 25 | 5 | 2 |

The overheads of the service departments are to be apportioned as follows:

| | Department X | Department Y | Department Z | Stores | Maintenance |
|-------------|--------------|--------------|--------------|--------|-------------|
| Stores | 25% | 40% | 30% | - | 5% |
| Maintenance | 20% | 35% | 30% | 15% | - |

Required:

1. Carry out primary apportionment and then secondary apportionment using the algebraic method. (17 marks)
2. Compute the overhead recovery rates using machine hours for the production departments. (3 marks)

QUESTION FIVE

a) Describe any **five (5)** differences between marginal costing and absorption costing techniques. **(10marks)**

b) Allan limited the producer of a single product has the following cost structure.

| | <u>Cost per unit (\$)</u> |
|--------------------|---------------------------|
| Material cost | 4 |
| Direct labour | 3 |
| Variable overheads | 5 |
| Fixed overheads | 3 |
| Total | <u>15</u> |

The above cost structure is based on the normal activity level of 40,000 units. The budgeted selling and administration overheads amount to \$100,000 per quarter.

The company sells the products at \$25 per unit.

The production and sells for each Month were:

| | January | February | March |
|--------------------|----------------|-----------------|--------------|
| Production (units) | 55,000 | 35,000 | 42,000 |
| Sales (units) | 50,000 | 40,000 | 32,000 |

Required. Produce in a columnar form profit statements based on Absorption costing technique principles. **(15marks)**

QUESTION SIX

a) Outline the steps followed in the procurement and issue of materials from the stores department of an organization. **(5 marks)**

b) Explain the difference between perpetual and periodic systems of inventory taking/recording. **(5 marks)**

c) ABC Ltd's stores department had the following transactions for the month of February 2015.

| DATE | DETAILS OF TRANSACTIONS |
|--------|---|
| Feb 01 | Opening balance 500 units at \$ 1.00 per unit |
| 02 | Received 400 units at \$ 1.05 per unit |
| 04 | Issued 600 units |
| 08 | Issued 100 units |
| 12 | Returns to the stores 50 units at \$1.00 per unit |
| 15 | Received 350 units at \$ 1.15 per unit |
| 17 | Issued 450 units |
| 20 | Received 200 units at \$ 1.25 per unit |
| 22 | Issued 300 units |
| 25 | Received 150 units at \$ 1.30 per unit |

Required:

- i. Prepare the stores ledger using FIFO method of stock taking. **(10 marks)**
- ii. Determine the following from the stores ledger
 - Total cost of materials issued **(1 mark)**
 - Total cost of materials received **(1 mark)**
 - Value of closing stock **(3 marks)**