

Uganda Martyrs University Nkozi

Faculty of Business Administration and Management

END OF SEMESTER I 2023/2024 EXAMINATIONS

PAPER : **COST ACCOUNTING**

PROGRAM : **BACHELORS OF BUSINESS
ADMINISTRATION AND MANAGEMENT**

YEAR OF STUDY: **TWO**

STUDY SESSION: **DAY & EVENING**

CAMPUS : **LUBAGA**

TIME : **3 HOURS**

DATE : **14th December, 2023**

INSTRUCTIONS:

1. DO NOT WRITE ANYTHING ON THIS QUESTION PAPER.
2. Read the QUESTIONS carefully and the INSTRUCTIONS on the ANSWER BOOKLET before attempting to answer any question.
3. ALL ROUGH WORK must be done on the second last page of the booklet and clearly indicated "Rough work".
4. Attempt ANY four (04) questions in total. All questions carry equal marks. Always start answering each question on a fresh page.
5. Write clearly in BLUE or BLACK ink and always cite relevant examples and cases where applicable. A pencil can only be used for diagrams.
6. Uganda Martyrs University examinations are conducted in accordance with the *Uganda Martyrs University Senate General Rules & Regulations*. Breach of the above instructions, irregularity, or any other contravention of the examination regulations will lead to disqualification and/ or subsequent disciplinary action by Senate.

QUESTION ONE

With relevant examples from an organisation set up familiar to you, write short notes on the following

- a) Role of cost accounting in a business (9 Marks)
 - b) Qualities of good cost accounting system (8 Marks)
 - c) Difference between cost accounting and management accounting (8 Marks)
- (Total 25 Marks)**

QUESTION TWO

- a) "It is essential to choose the most suitable cost estimation method for assessing mixed costs. The methods result in approximated variable and fixed costs. The core purpose of the cost estimation methods is to create a cost formula for foretelling the amount to be incurred by the business in the future" as per Kasiita a BAM 2 student. In light of the above statement, explain the Methods used in developing cost functions. (10 Marks)
- b) You are given the following data for output at a factory and costs of production over the past five months.

Month	Output (units)	Costs (shs)
1	20,000	82,000
2	16,000	70,000
3	24,000	90,000
4	22,000	85,000
5	18,000	73,000

Required: stating all assumptions

- i) Calculate an equation to determine expected cost level for any output volume (8marks)
 - ii) Prepare a budget for total costs if output is 22,000 units (7marks)
- (Total 25 Marks)**

QUESTION THREE

- a) No system of costing is complete without an effective material control system. This control system will ensure provision of the required quantity of materials of the required quality at the required time with the minimum capital investment.

Required:

Discuss the pre-requisites for an effective materials control system if an organisation is to benefit from its materials control system. (7 Marks)

- b) The information provided below was extracted from the records of Kikankane Manufactures Limited. Use it to calculate for minimum stock level, maximum stock level and re-ordering level: (9 Marks)
 - Maximum Consumption = 200 units per day
 - Minimum Consumption = 120 units per day
 - Normal Consumption = 160 units per day
 - Re-order period = 10-15 days
 - Reorder quantity = 1,600 units
 - Normal reorder period = 10 days

- c) The Chairman of the Board of Directors of Quality Food Limited, a leading manufacturer of confectionaries and different varieties of fruit juices, requested the Managing Director (MD) to explain to him the concepts of Economic Order quantity (EOQ) and Just-in-time (JIT) purchasing. The MD however is not conversant with these and has approached you (the cost accountant of the company) for advice.

Required:

In a brief memo to the MD, explain;

- i) The assumptions underlying the computation of EOQ (3 Marks)
 - ii) JIT purchasing system and the advantages of adopting it. (6Marks)
- (Total 25 Marks)**

QUESTION FOUR

- a) Mikolo Company Limited made the following stock transactions for the month of February, 2023

February 2023	Details of transactions
1 st	Opening balance 500 units @ \$25 per unit
3 rd	Issue 70 units
4 th	Issue 100 units
8 th	Issue 80 units
13 th	Received from supplier 200 units @ \$24.50 per unit
16 th	Issue 180 units
20 th	Received from supplier 240 units @ \$24.75 per unit
24 th	Issue 304 units
25 th	Received from supplier 320 units @ \$24.50 per unit
26 th	Issue 112 units
28 th	Received from supplier 100units @ \$25 per unit

Required:

Use the FIFO method to draw a stock ledger account showing clearly the value of materials issued and the value of closing stock at the end of the month **(15 Marks)**

- b) "The perpetual inventory control system is an integral part of materials control." Discuss this statement bringing out briefly the salient features and advantages of the system. **(10 Marks)**

(Total 25 Marks)

QUESTION FIVE

MUMPE LTD a manufacturing company had the following details relating to hours worked by their employees for the month of January, 2023

SN.	Name of employee	Hours worked in the month
1	Duncan	48
2	Alvin	50
3	Martha	52
4	Linda	40
5	Joel	54

Additional information

- The basic working week is 10 hours. There are 4 weeks in a month
- Hourly wage rate is Shs. 5,000
- The first 3 hours of overtime are paid $1\frac{1}{2}$ of the hourly rate and the excess are paid twice the hourly rate.
- Housing allowance for housing facilities for employees is paid at 50% of the basic pay
- Employees No. 3 & 4 were staying in the company houses and were charged each shs. 20,000 for water each month
- Top-up allowance is 25% of the basic wage
- Transport allowance given to employees was Shs. 3,000 for each week.

Deductions

- Local service tax: All employees are assessed to pay according to plan and the amount is deducted in the first calendar month of the year.
- National Social Security Fund
- Pay as You Earn
- Loan repayment (Final)
- Employee No. 2 Shs. 10,000
- Employee No. 5 Shs. 8,000

Required:

Design a suitable payroll for MUMPE Ltd (Total 25 Marks)

QUESTION SIX

- a) Write short notes on the following
- | | |
|----------------------------------|-----------|
| (i) Semi-variable overhead costs | (2 Marks) |
| (ii) Production overheads | (2 Marks) |
| (iii) Allocation of overheads | (2 Marks) |
| (iv) Apportionment of overheads | (2 Marks) |
| (v) Basis of apportionment | (2 Marks) |

- b) Friends Co. Ltd has three production departments A, B, and C and two service departments D and E. The following information was obtained from the records of the company.

	Ugx '000'
Rent and rates	- 5,000
Indirect wages/labour	- 1,500
Depreciation of machinery	- 10,000
General lighting	- 600
Power	- 1,500
Sundry expenses	- 10,000

The following further details are available;

	Total	A	B	C	D	E
Floor space (sq.ft)	20,000	4,000	5,000	6,000	4,000	1,000
Light points	120	20	30	40	20	10
Direct wages (Ugx)	10,000,000	3,000,000	2,000,000	3,000,000	1,500,000	500,000
H.P of machines	150	60	30	50	10	-
Values of machinery (Ugx)	250,000,000	60,000,000	80,000,000	100,000,000	5,000,000	5,000,000

Required:

Apportion the costs to various departments on the most equitable basis and prepare overhead distribution summary.

(15 Marks)

(Total 25 Marks)

The following Schedules are necessary

1. Rate of Local Service tax applicable

SN.	Amount of monthly income earned (Shs)	Rate of Local Service Tax per year (Shs)
1	Exceeding 100,000/= but not exceeding 200,000/=	5,000/=
2	Exceeding 200,000/= but not exceeding 300,000/=	10,000/=
3	Exceeding 300,000/= but not exceeding 400,000/=	20,000/=
4	Exceeding 400,000/= but not exceeding 500,000/=	30,000/=
5	Exceeding 500,000/= but not exceeding 600,000/=	40,000/=
6	Exceeding 600,000/= but not exceeding 700,000/=	60,000/=
7	Exceeding 700,000/= but not exceeding 800,000/=	70,000/=
8	Exceeding 800,000/= but not exceeding 900,000/=	80,000/=
9	Exceeding 900,000/= but not exceeding 1,000,000/=	90,000/=
10.	Exceeding 1,000,000/=	100,000/=

2. The Income Tax Rates (PAYE) applicable to INDIVIDUALS

Chargeable income	Rate of tax
Not exceeding Shs 2,820,000 (Shs 235,000 pm)	Nil
Exceeding Shs 2,820,000 (Shs 235,000 pm) but not exceeding Shs 4,020,000 (Shs 335,000 pm)	10% of the amount by which chargeable income exceeds Shs 2,820,000 (Shs 235,000 pm)
Exceeding Shs 4,020,000 (335,000 pm) but not exceeding Shs 4,920,000 (Shs 410,000 pm)	Shs 120,000 (10,000 pm) plus 20% of the amount by which chargeable income exceeds Shs 4,020,000 (Shs 335,000 pm).
Exceeding Shs 4,920,000 (Shs 410,000 pm)	(a) Shs 300,000 (Shs 25,000 pm) plus 30% of the amount by which chargeable income exceeds Shs 4,920,000 (Shs 410,000 pm) and (b) Where the chargeable income of an individual exceeds Shs 120,000,000 (Shs 10,000,000pm) an additional 10% charged on the amount by which chargeable income exceeds Shs 120,000,000 (Shs 10,000,000 pm).