

UGANDA MARTYRS UNIVERSITY
FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT
BAM II SUPPLEMENTARY/ SPECIAL ASSESSMENT 2014
COST ACCOUNTING
Date: 12th/ 08/ 2014
Time: 3 hours

INSTRUCTIONS

Attempt any (4) Four Questions
All questions carry equal marks
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. Differentiate between a perpetual and periodic inventory system. (2 marks)
- b. Explain any three advantages of the perpetual inventory system. (3 marks)
- c. Two types of materials A100 and B101 are used by Unilever 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
- ii) Minimum stock level
- iii) Maximum stock level
- iv) Average stock level. (20 marks)

QUESTION THREE

- a) Explain the term labour turnover rate. (5 marks)
- b) Causes of high labour turnover can be classified into two different categories. What are those categories and give 3 examples from each category. (10 marks)
- c) A firm had 100 employees at the beginning of the year. During the year 10 employees were fired due to malpractices and were replaced. 6 employees were retired, as the positions they were occupying were no longer necessary. 2 employees died and were

immediately replaced. 20 employees were recruited to take up new positions created by the expansion in the business lines.

Required: Calculate the labour turnover rate and comment on your answer. (10 marks)

QUESTION FOUR

a) Explain any three ways in which payroll fraud can be detected and give any three solutions to payroll fraud in an organization. (6 marks)

b) Namanve Consultancy Ltd employs 8 workers with the following pay details for the month of April 2013.

No. & Name of Employee	Hours of field work in the month
1. Winnie	100
2. Aisha	80
3. Henry	60
4. Martin	45
5. Jennifer	70
6. Angela	85
7. Pamela	120
8. Douglas	90

The following information relates to the above workers.

- Basic field work hours are 6 hrs per day for 10 days in a month.
- The wage rate per hour is Shs 3,000.
- The first 10 hours are paid for a time and half ($1\frac{1}{2}$) of the basic rate and excess are paid for at double time rate.
- Jennifer, their supervisor is entitled to a commission of Shs.37,500 per month for the addition work done.
- Transport allowance of Shs.10,000 is being paid to all workers per month.
- Medical allowance is given to all workers at a rate of Shs. 50,000 per month.
- One of the employees, No.2 is a Sudanese by descent
- The following deductions are made:
 - National Social Security Fund.
 - Local service tax: all workers are assessed to pay Shs.120, 000 per annum deductible in the first three calendar months with equal installments.
 - Martin and Douglas got salary loans this month and agreed to pay back Shs.25,000 per month beginning in May 2013.
 - PAYE is payable as follows:

For Residents

Chargeable income (per month)	Rate of tax
Not exceeding shs 235,000	Nil
Exceeding shs. 235,000 but not exceeding shs. 335,000	10% of the amount by which chargeable income exceeds shs. 235,000.
Exceeding shs. 335,000 but not exceeding shs. 410,000	shs. 10,000 plus 20% of the amount by which chargeable income exceeds shs. 335,000.
Exceeding shs. 410,000	(a) shs. 25,000 plus 30% of the amount by which chargeable income exceeds shs. 410,000 and (b) Where chargeable income of an individual exceeds shs 10,000,000 an additional 10% charged on the amount by which chargeable income exceeds shs 10 ,000,000

For Non - Residents

Chargeable income (per month)	Rate of tax
Not exceeding shs 335,000	10%
Exceeding shs. 335,000 but not exceeding shs. 410,000	shs. 33,500 plus 20% of the amount by which chargeable income exceeds shs. 335,000.
Exceeding shs. 410,000	(a) shs. 48,500 plus 30% of the amount by which chargeable income exceeds shs. 410,000 and (b) Where chargeable income of an individual exceeds shs 10,000,000 an additional 10% charged on the amount by which chargeable income exceeds shs. 10,000,000

Required:

Design a suitable payroll for Namanve Consultancy for the month of April 2013. (19 marks)

QUESTION FIVE

(a) What are overheads and give three examples of overheads incurred in any organization of your choice. (5 marks)

(b) Combart Industries operates 2 production departments, X and Y and 2 service departments, A & B. These departments incurred the following costs.

Rent and rates	400,000=
Depreciation of plant	1,000,000=
Staff welfare costs	480,000=
Staff Transport	240,000=
Factory power	840,000=

Additional information

Particulars	Production departments		Service departments	
	X	Y	A	B
Machine hours	2,000	500	-	-
Book values machines (Shs)	4,000,000	3,000,000	2,000,000	1,000,000
No. of employees	20	10	5	15
Machine power (KWH)	50	10	-	-
Area (sqm)	1,000	500	300	200

The following technical estimates are also available

Particulars	X	Y	A	B
Dept A	50%	40%	-	10%
Dept B	45%	50%	5%	-

Required:

- Show the total overheads chargeable to all departments using primary apportionment.
- Carry out secondary apportionment using the step method.
- Using machine hours as a base, compute the Overhead Absorption rate for the two departments (X & Y).

QUESTION SIX

- Distinguish between job and batch costing methods. (6 marks)
- Henix Company has received an order No. 0023 from Mr. Him for producing 1000 school uniform shirts.

The following information has been provided.

Two types of cloth were used. Type A 1000 meters each meters at ush.4000 and Type B 500 meters each at ush. 2500. 50 pieces of thread were used each at ush. 200 and 1000 budges were used each at ush. 250.

Two workers each paid ush. 2,200 per hour had been employed in separate departments. The time sheets indicate that each had worked for 40 hours on the order.

The overhead rates for the departments in which the workers are employed are ush.2000 per direct labour hour in one department and 100% of direct wages in the other. Administration and other overheads are recovered at the rate of 25% of production cost.

Required:

- Using a cost statement, determine the total cost of the batch. (12 marks)
- Determine the cost per shirt. (3 marks)
- The company requires a profit margin of 20% how much money will Mr. Him pay for the order? (4 marks)