UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS ADMNISTRATION AND MANAGEMENT

DEPARTMENT OF ACCOUNTING & FINANCE

END OF SEMESTER EXAMINATION

COURSE: BACHELOR OF PROCUREMENT AND SUPPLY MANAGEMENT

COURSE UNIT: COST & MANAGEMENT ACCOUNTING
CODE: PSM 2206

DATE: 13/12/2022

TIME: 3 HOURS

Instructions

- Read the instructions on the cover of the answer book and the question paper.
- **Attempt any FOUR questions**
- The number in brackets after each question, or part of a question, shows the marks allocated and candidates should apportion the time spent on each part accordingly.
- Silent, non-programmable calculators may be used in this examination. Whether you use it or not, you must show your calculations
- Credit will be given for use of relevant examples and illustrations
- Mobile phone are not allowed
- Do not write on question paper

Question One

(a) 'The store should be manned and controlled by qualified person who may be called storekeeper or store manager' in view of the above, explain any five duties of storekeeper **(5 marks)**

(b) The following information was obtained from materials record of KKP Company Ltd for the month of Feb 2022

On 1st Feb 2022 there was a balance in the store of 300 units valued at 30,000shs

Receipts	Issues
1st 1,000 units @shs 200	8th 700 units
5th 260 units @shs 105	19th 620 units
10th 400 units @shs 115	21st 640 units
15th 300 units @ shs125	25th 380 units
22nd 500 units@shs110	

Required: Using FIFO and LIFO Method; prepare a store ledger account and determine the value of materials issued, purchased and closing inventory value **(20 marks)**

Question Two

a) From the information given below, calculate the total earning of each employee under premium bonus scheme using; Halsey, Halsey Weir and Rowan plan **(9marks)**

	Employees		
	Odoki	Richard	Kilama
Time allowed per 100 units in hours	40	45	50
Wages per unit	30	40	50
Hourly rate	80	90	110
Actual time taken in hours	50	48	46
Actual units produced	200	150	125

a) Discuss any three unavoidable and three avoidable causes of labor turnover **(6marks)**

b) Pallaso Reconstructions Agency employs the following staff in their Pallaso office.

Name of staff	No	Salary scale	Basic amount
Avaku Martha	SS100	RWI	3,000,000
Kasubi Oganyo	SS200	RW2	2,500,000
Luting Samuel	SS300	RW2	2,500,000
Niko Albert	JS100	RW3	2,000,000
Ulinguni Thomas	SW100	RW4	1,500,000
Kobeyi Anita	SW100	RW4	1,500,000

The work conditions are that:

i. All staff staying outside the Agency premises receives transport allowance of 250,000 shs per month
ii. Staff housed within the Agency premises does not get transport Allowances
iii. Staff staying outside the Agency Premises gets housing allowance of 50% of their basic pay
iv. If two staff share a house, each staff living in the shared house get half of the housing entitlement as housing allowance
v. All staff gets hardship allowance of 15% of their basic pay
vi. All staff in scale RW1 and RW2 get household servants allowance of 10% of basic pay
vii. All staff pays NSSF contribution of 5% of their total gross pay
viii. All staff pays PAYE of 5% of total gross pay
ix. Graduated poll tax of 100,000shs per annum is payable by each employee, deducted at four equal installments with effect from Jan
x. A development tax of 2% on total gross pay is levy on each employee

Other information

i. Avako is a supervisor and stays within the Agency Premises with her family
ii. Ulinguni and Kobeyi Anita got married recently and they stays together
iii. All the other staff stays in various locations within the town outside the agency premises.

Required, prepare a payroll for Pallaso Reconstruction Agency for the month of Jan 2022.

(10 marks)

Question Three

Triple "R" Ltd is preparing its production overhead budgets and determining the apportionment of these overheads to products. Cost Centre expenses and related information have been budgeted as below

Details	Total	Production departments			Service department	
		A	B	C	X	Y
	Shs (000)	Shs (000)	Shs (000)	Shs (000)	Shs (000)	Shs (000)
D/wages	259,460	64,240	49,820	145,400	-	-
Indirect wages	156,910	17,172	18,380	31,348	59,300	30,710
Consumable materials	33,800	2,800	17,400	2,400	1,200	-
Rates and rents	33,400					
Building insurance	24,800					
Power for lighting	26,800					
Power	17,200					
Depreciation of machinery	80,400					
Depreciation on Building	24,000					

Details	Total	Production departments			Service Department	
		A	B	C	X	Y
Building- area square meter	45,000	12,000	10,000	15,000	6,000	2,000
Value of Machinery shs	804,000	380,000	358,000	44,000	6,000	16,000
Power usage (%)	100	54	40	3	1	2
Direct Labor in hours	36,010	8,010	6,205	21,795	-	-
Machine usage hours	27,211	7,365	18,816	1,030		

Service costs are distributed as follows

	A	B	C	X	Y	
X	20%	25%	35%	-	20%	
Y	25%	25%	40%	10%		

Required;

i. Using the information above, determine the total costs per departments and using step and repeated methods, redistribute the service total costs to production departments **(19 marks)**

ii. Assuming department A is highly mechanized, machine hours being budgeted is 240,000 hours, Department B is labour intensive with budgeted labour hours of 60,000 hours and department C is material based with budgeted 50,000 units of materials, determine pre determine overhead absorption rate per unit for each department **(6 marks)**

Question Four

a) Discuss the relevancy of cost volume profit analysis in businesses today **(10 marks)**

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b) Assume that P Ltd expected fixed cost is 180.000 shs, variables costs are 40% of sales. What would be the Break Even Sales **(5marks)**

c) ABC Ltd makes four products with the following information

	W	X	Y	Z
Production units	1,000	2,000	4,000	3,000
Direct material	4	5	2	4
Direct labour	8	9	4	6
Variable overhead	2	3	1	2

Fixed cost attributable		Sub contractor price	
	shs		shs
W	1,000	W	12
X	5,000	X	21
Y	6,000	Y	10
Z	8,000	Z	14

Committed fixed cost is shs 30,000

Required: Advice the Company on the components to buy or make if any
(10 marks)

Question Five

Kakembo Ltd manufactures three products: A, B, and C. Data for the period just ended is as follows:

	A	B	C
Production units	20,000	25,000	2,000
Sales price per unit	Shs 20	Shs 20	Shs 20
Material cost per unit	Shs 5	Shs 10	Shs 10
Labour hours per unit	2 hours	1 hour	1 hour
Labour is paid at the rate of shs 5 per hour			

Overheads for the period were as follows:

Set up costs	Shs 90,000

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Receiving	Shs 30,000
Dispatch	Shs 15,000
Machining	Hs 55,000
	Shs 190,000

Cost driver data:

	A	B	C
Machine hours per unit	2	2	2
Number of set ups	10	13	2
Number of deliveries received	10	10	2
Number of orders dispatched	20	20	20

Calculate Profit per unit and provide your assessment to management **(25 marks)**

Question Six

ABC Company produces three products X, Y and Z. For the coming accounting period, budgets are to be prepared based on the following information:

Budgeted sales:

Product X-   2,000 units at shs 200 each

Product Y -   4,000 units at shs 230 each

Product Z-   3,000 units at shs 250 units

Budgeted raw material usage

	RM 11	RM 22	RM 33
Product X	5	2	1
Product Y	3	2	2
Product Z	2	1	3
Raw material cost per unit	Shs 4	Shs 4	Shs 4

Finished goods budget

	Product X	Product Y	Product Z
Beginning	500	800	700
End	600	1,000	800

Raw material stock

	RM 11	RM 22	RM 33
Beginning	21,000	10,000	16,000
End	18,000	9,000	12,000

Labour budget

	Product X	Product Y	Product Z
Expected hours per unit	4	6	8
Expected hourly rate	Shs 3	Shs 3	Shs 3

Required;

Prepare the following operating budgets **5marks@**:

(a)   Sales budget in terms of both quantity and value

(b)   Production budget

(c)   Material usage budget

(d)   Material purchase budget

(e)   Labour budget

Question Seven

Write short notes on the followings as use in cost and management accounting:

1. Limiting factor situations (3 marks)

2. Margin of safety (2 marks)
3. Allocation and apportionment of factory overheads (6marks)
4. Standard Costing and variance analysis (6marks)
5. Material cost and Cost unit (4marks)

6. Product Cost and Period Cost (4marks)