AKENTEN APPIAH-MENKA UNIVERSITY OF SKILLS TRAINING AND ENTREPRENEURIAL DEVELOPMENT
DEPARTMENT OF ACCOUNTING STUDIES
SUPPLEMENTARY EXAMINATION -FEBRUARY, 2021

COURSE TITLE	**COST ACCOUNTING II**
COURSE CODE	**ACC 122**
LECTURER	**MRS PORSCHA O. AFRIYIE**
DURATION	**2 HOURS**
INSTRUCTIONS	**ANSWER ALL QUESTIONS.** **INSERT YOUR QUESTION PAPER INTO YOUR ANSWER BOOKLET FOR SUBMISSION.**

ANSWER ALL QUESTIONS.

QUESTION ONE (15 MARKS)

(1a) Erks makes one product, the Dems. Two types of labour are involved in the preparation of a Dems, skilled and semi-skilled. Skilled labour is paid GHS15 per hour and semi-skilled GHS5 per hour. Twice as many skilled labour hours as semi-skilled labour hours are needed to produce a Dems, four semi-skilled labour hours being needed.

A Dems is made up of three different direct materials. 14 kilograms of direct material A, 8 litres of direct material B and 6 metres of direct material C are needed. Direct material A costs GHS1 per kilogram, direct material B GHS2 per litre and direct material C GHS3 per metre.

Variable production overheads are incurred at Erks Co at the rate of GHS2.50 per direct labour (skilled) hour.

A system of absorption costing is in operation at Erks Co. The basis of absorption is direct labour (skilled) hours. For the forthcoming accounting period, budgeted fixed production overheads are GHS500,000 and budgeted production of the Dems is 5 000 units.

Administration, selling and distribution overheads are added to products at the rate of GHS12 per unit.

A mark-up of 25% is made on the Dems.

Using the above information calculate a standard cost for the Dems.

(1b) What would a standard cost for product Dems show under a marginal system?

QUESTION TWO (15 MARKS)

(2a) From the following particulars calculate the cost of Job No.57 and price for the job to give a profit of 15% on the selling price.

Material	GHS 3,410
Wage details:	
Department A	60 hrs @ GHS 3 per hr
Department B	50 hrs @ GHS 3 per hr
Department C	30 hrs @ GHS 5 per hr
Variable Overheads :	
Department A	GHS 5,000 for 5000 hrs
Department B	GHS 4,000 for 2000 hrs
Department C	GHS 2,000 for 500 hrs
Total fixed expenses	**GHS 20,000 for 10,000** working hours.

(1b) Compute the economic batch quantity for a company using batch costing with the following information:

Annual Demand for the component	48,000 units
Set-up cost per batch	GHS 120
Carrying Cost per unit of Production	GHS 0.72

QUESTION THREE (15 MARKS)

(3a) From the following particulars calculate the "Direct Labour Rate".

(a) Total number of labourers working in the department.	500
(b) Total working days in a year	310
(c) Number of working hours per day	8
(d) Total departmental overheads per year	GHS 353,400
(e) Normal idle time allowed.	5%

(3b) A machine is purchased for cash at GHS10,200. Its working life is estimated to be 19,400 hours after which its scrap value is estimated at GHS 500. it is assumed from past experience that:

The machine will work for	1,940 hours annually.
The repair charges during the whole period of life of the machine.	GHS 970
The power consumption will be 5 units per hour at 9 pesewa per unit.	
Other annual standing charges are estimated to be:	
Rent of department (machine occupies 1/5th of total space)	GHS 780
Light (12 points in the department-4points engaged in the machine)	GHS 288
Foreman's salary (1/3rd of his time is occupied in the machine)	GHS 10,500
Insurance premium (fire) for machinery	GHS 58
Cotton waste	GHS 70

Calculate the machine hour rate on the basis of above data for allocation of the works expenses to all jobs for which the machine is used.

QUESTION FOUR (15 MARKS)

]A contractor has undertaken a construction work at a price of GHS 1,000,000 and begun the execution of work on 1st April,2019. The following are the particulars of the contract up to 31st March, 2020.

Particulars	**Amount (GHS)**
Plant and Machinery	130,000
Materials	270,698
Wages	248,750
Direct expenses	6,334
Uncertified work	18,000
Wages outstanding	5,380
Value of plant on 31/03/ 2020	122,000
Overheads	8,252
Materials returned	1,098
Work certified	780,000
Cash received	720,000
Materials on 31/03/ 2020	3,766

Prepare :

(i) Contract Account

(ii) Contractee Account.