

FACULTY: FACULTY OF EDUCATION  
DEPARTMENT: EDUCATIONAL MANAGEMENT AND BUSINESS STUDIES  
SESSION: 2017/2018 SESSION  
COURSE TITLE: COST ACCOUNTING  
COURSE CODE: BBE 204

SECTION A

*Answer all questions*

1. Costs associated with running out of stock INCLUDE
  - A. insurance and security costs
  - B. pilferage and damage costs
  - C. loss of customer's goodwill
  - D. handling costs
  - E. storage cost
2. Idle time is the difference between hours paid and hours worked. Which of the following is a cause normal idle time?
  - A. temporary lack of work
  - B. machine setting up time
  - C. machine breakdown
  - D. black out as a result of energy worker's strike
  - E. waiting for tools
3. A cost that tends to vary directly with the volume of output is known as
  - A. fixed cost
  - B. step cost
  - C. mixed cost
  - D. non-linear cost
  - E. variable costs
4. Prime cost is
  - A. the total of direct costs
  - B. the materials cost of a product
  - C. the cost of operating a department
  - D. the total indirect cost
  - E. all costs incurred in manufacturing a product
5. Bin card is maintained by
  - A. an officer in the cost office
  - B. storekeeper
  - C. plant engineer
  - D. departmental head

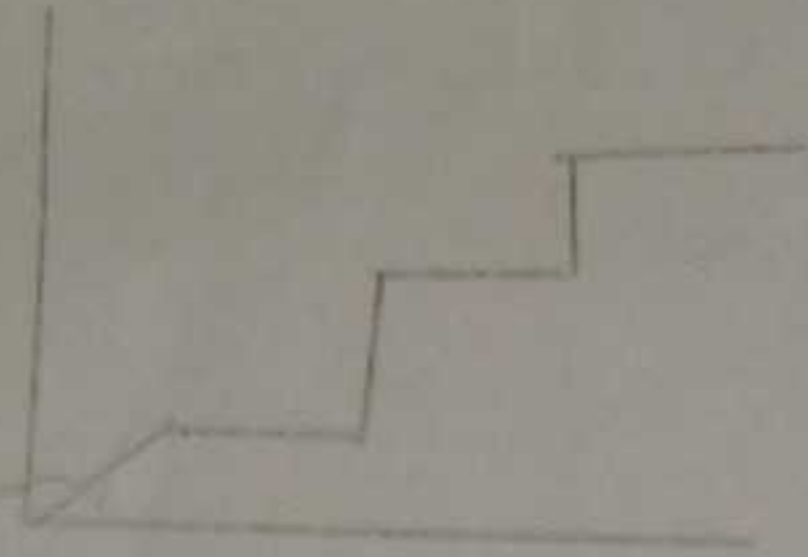


E. production planner

6. Which of the following is **NOT** an application of cost accounting information.

- A. executing
- B. Planning
- C. Evaluating
- D. Controlling
- E. Decision making

7.



Which of the following best describe the above graph?

- A. linear variable cost
- B. stepped cost
- C. total variable cost
- D. non – linear cost
- E. fixed costs

8. Cost accounting can be defined as:

- A. Ascertainment of Costs after they have been incurred.
- B. the practice of charging all costs both variable and fixed to operations, processes or products
- C. the use by several undertakings of the same costing to their common characteristics
- D. the application of costing and cost accounting principles, methods and techniques to the science, art and practice of cost control and ascertainment of profitability.
- E. the allotment of whole items of cost to cost centres or units

9. Electricity bills falls into the category of \_\_\_\_\_ cost.

- A. fixed cost
- B. variable cost
- C. semi – variable
- D. total cost
- E. period cost

10. In calculating Economic Order Quantity (EOQ) cost is made up of purchase ordering and:

- A. security cost
- B. carrying cost
- C. stock out cost
- D. supervision cost
- E. insurance cost

11. The aggregate of all direct costs is known as:

- A. Incremental cost
- B. Prime cost



- C. Actual cost
  - D. Batch cost
  - E. Budgeted cost
12. An overtime is:
- A. time spent by the employee in changing room
  - B. Work done over a period of time
  - C. Time spent when production machines are idle
  - D. Time spent by the employees working beyond the normal working hours
  - E. Work done but not paid for over a long time
13. The amount of expenditure incurred on or attributable to a specified thing or activity is
- A. Price
  - B. Value
  - C. Cost
  - D. Expenses
  - E. Costing
14. A cost which is fixed in nature but only within certain levels of activity is:
- A. Fixed cost
  - B. Variable cost
  - C. Mixed cost
  - D. Curvilinear cost
  - E. Step cost
15. The formula:  $\text{Reorder level} \times \text{Reorder quantity} (\text{minimum lead time} \times \text{minimum delivery period})$  is used to calculate?
- A. minimum stock level
  - B. maximum stock level
  - C. Reorder level
  - D. Buffer stock
  - E. Safety stock
16. Which of the following does **NOT** comprise classification of cost according to behaviour.
- A. fixed cost
  - B. Distribution cost
  - C. Semi – variable or mixed
  - D. variable cost
  - E. Stepped fixed cost
17. First – in – first – out (FIFO) method of pricing materials issues is based on the assumption that
- A. The last material purchased are first used
  - B. Issues should be done at the price at which materials would be replaced
  - C. Materials which are purchased earlier are first issued
  - D. materials issued are charged at the rate of the highest period material in stores
  - E. Materials are issued at an estimated cost



18. Information on standard rate of pay would be provided by
- A work study manager
  - A production manager
  - A Human Resource manager
  - A site manager
  - An information officer
19. Which of the techniques *CANNOT* be used to separate fixed and variable cost in cost accounting?
- Marginal costing
  - Scatter graph
  - High and Low
  - Account analysis
  - Least square or linear regression analysis
20. Variable cost:
- Remains fixed in total
  - Varies per unit
  - Remains fixed per unit
  - Remains idle per unit
  - Remains favourable per unit

## SECTION B:

ANSWER THREE (3) QUESTION IN ALL.

## THEORY QUESTIONS

### QUESTION 1

1. Using the *High and Low* point method, calculate the fixed and variable cost element of the following:

MONTHS	COSTS	ACTIVITY LEVEL
	N	hrs
January	1050	400
February	1700	600
March	1600	550
April	2100	800
May	2000	700
June	2300	900

**Required:**

Calculate using:

- High and Low point method of separation of cost 3marks
- Least square method 10marks
- List five characteristics of a good coding system 2marks

### QUESTION 2

2. From the data below. You are required to compute the total earnings of each of the 3 employees working with Z Ltd for the month of May 1996



Employees	Quits	Rate/hr	Time allowed per units	hrs spent
WA	80	4.00	2 ½	100
ZO	100	3.00	3	250
BA	60	2.00	4	120

**Required:**

Calculate the gross pay for each of the employee, based on the following method:

- |      |                                |        |
|------|--------------------------------|--------|
| i.   | Hasley using 50% of time saved | 5marks |
| ii.  | Hasley weir                    | 5marks |
| iii. | Rowan scheme                   | 5marks |

### QUESTION 3

- |     |  |        |
|-----|--|--------|
| 3a. | State five objectives of cost accounting.                                  | 5marks |
| b.  | What are the advantages of cost accounting to a manufacturing organization | 5marks |
| c.  | List 3 elements of cost  | 3marks |
| d.  | Define cost accounting   | 2marks |

### QUESTION 4

- 4a. Sketch a single graph from which could be read the varying cost of production and show the following:
- variable cost line
  - Fixed cost line
  - Semi – variable or mixed
  - Semi – fixed
  - Stepped fixed cost
- 4b. Cost can be classified into:
- material 1mark
  - Labour 1mark
  - Expenses 1mark
- Explain briefly on each of these.
- 4c. discuss briefly with examples the following cost classification:
- Direct cost
  - Direct material cost
  - Direct expenses
  - Indirect cost
  - Indirect material cost
  - Indirect labour cost
  - Indirect expenses

### QUESTION 5

- 5a. Use the information provided below, calculate:
- the maximum stock level
  - Minimum stock level
  - Reorder level



iv. Average stock level for Boatery Nigeria limited, which manufactures a special product for the domestic market. Records available at the stores department indicated the following:

Maximum usage	-	1200 units per week
Minimum usage	-	500 units per week reorder
Quantity	-	1500 units per week
Delivery period	-	between 2 to 4 weeks

8marks

5b. Mr Kofi Anan decided on 1<sup>st</sup> July 2017, to invest his insurance compensation of N4, 000,000 in retail business to buy and sell second hand shovels. The following transactions took place for the month of December, 2017.

Purchases			Sales		
Date	Quantity	Cost	Date	Quantity	Value
July 5	200	720,000	2 Aug	500	2,500,000
Aug 1	400	1,520,000	-	-	-
Sept 3	600	2,400,000	-	-	-
Oct 4	400	1,400,000	Oct 12	600	2,700,000
Dec 7	500	1,400,000	Dec 12	400	1,500,000

You're required to prepare Stock ledger using Lifo and Fifo  
ALL THE BEST