

COST ACCOUNTING (INF 2109)
TEST NO. 1

TIME: 90 MINUTES

DATE: 8TH DECEMBER, 2023

Instructions: This paper consists of THREE questions. Attempt ALL questions.

QUESTION1

State if each of the following statements is **TRUE** or **FALSE**.

- i. Cost accounting is not needed for a non-profit organization such as a club.
- ii. If management is not interested in costing information, there should be no costing department.
- iii. The cost accounting system is designed in such a way the flow of costs parallel the physical movement of products.
- iv. Effective control of cost can be secured only if the responsibility for cost incurrence is clearly defined.
- v. Installation of a suitable system of cost accounting is restricted to manufacturing concerns only.
- vi. Cost Audit is a part of cost accounting.
- vii. Both financial accounts and cost accounts are written up with the same basic documents.
- viii. Since pricing is a matter of management policy cost information is useless for price fixation.
- ix. A concern that has been quite prosperous needs no costing system.
- x. Cost accounting is a branch of financial accounts.

(3 Marks)

QUESTION2

Mr. Farooq operates a chocolate shop in Zanzibar. The monthly demand for chocolate is 200 units. The cost of placing an order is TZS15. The holding cost per unit per year is TZS 0.25. Normal lead time is 10 days. Safety stock is equal to 20 days.

- i. Determine the optimum units Mr. Farooq should order per year to minimize total inventory costs.
- ii. How many times per year Mr. Ferro must order to minimize the total inventory cost?

(3 Marks)

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QUESTION 3

Mr. Malisafi furnishes the following cost data related to the manufacture of a standard product during the month of August 2012.

Purchases of direct materials	TZS 70,000
Greece, Oil, etc	TZS 5,000
Power & Fuel	TZS 8,000
Store man Salary	TZS 7,000
Material returned to supplier	TZS 500
Working Labour hours	600 hours
Lighting	TZS 11,500
Depreciation: Office premises	TZS 10,000
: Delivery van	TZS 7,500
Office manager's fee	TZS 20,000
Sales men Wages	TZS 5,000
Bank Charges	TZS 15,000
Units Produced during the period	2,000 Units
Finished goods (Beginning Inventory)	TZS 25,000
Raw material (Beginning inventory)	TZS 8,000
Selling price per unit sold	TZS 250
Carriage for materials	TZS 2,000
Rent	TZS 60,000
Direct expenses	55,000

Additional information:

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- 30% of labour hours were indirectly related to production and are paid at the rate of TZS 90 per hour. Labour hours used directly in production are paid at the rate of TZS 100 per hour.
 - Only 90% of direct materials available were used in the production for the period.
 - 40% of lighting costs are to be charged to office and the remainder to the sales department.
 - Rent is to be equally apportioned to production department, sales department and office.
 - 10% of units produced during the period were not sold and were valued based on total production cost for the period.

REQUIRED:

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Prepare a cost sheet and clearly show the Prime costs, costs of goods manufactured,
Total costs of sales, and Profit or loss for the period. (9 Marks)
(TOTAL MARKS = 15)