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| **THE STATE UNIVERSITY OF ZANZIBAR-SCHOOL OF BUSINESS** | | | | | | | | | | | |
| **END OF SEMESTER EXAM– AUGUST 2021** | | | | | | | | | | | |
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| **BACHELOR DEGREE OF FINANCIAL ADMINISTRATION (NTA LEVEL 7)** | | | | | | | | | | | |
| **COURSE:** | | **UQF 7 (**BITA) | | **SEMESTER:** | | 1 | | **YEAR:** | | | 2024 |
| **SUBJECT CODE:** | | AF 2107 | | **SUBJECT TITLE:** | | **COST ACCOUNTING** | | | | | |
| **DATE:** | | FEBRUARY | | | | **TIME ALLOWED:** | | | | 3:00 HRS | |

**ISTRUCTIONS:**

**1.** There are SEVEN questions in this paper. Attempt QUESTION NUMBER ONE and ANY OTHER FOUR questions.

2. All questions carry equal marks.

3. Show all your workings

4. Be neat and precise

5. This paper has SEVEN printed Pages**.**

**QUESTION ONE (Compulsory):**

1. Which of the following types of costs are allocated to cost centers?
   1. Direct and indirect costs
   2. Only direct costs.
   3. Only indirect costs
   4. None
2. Which one of the following bases would be most appropriate for apportioning a company's general advertising costs?
3. Number of customers in each division
4. Purchases in each division.
5. Stock levels in each division
6. Sales in each division (TZS)
7. A work’s normal working day is 8 hours and basic rate of pay per hour is TZS 6,000. The standard time allowed to produce 1 unit is 2 minutes. The worker is entitled with premium bonus of 75% of time saved at basic rate. The labour cost in day where 340 units are made will be:
8. TZS 48,000
9. TZS 51,000
10. TZS 63,000
11. TZS 2,040,000
12. Management accounting is said to meet:
13. the external accounting needs of the organization
14. the regulatory requirements of the organization
15. the needs of laws that govern company financial reporting
16. the internal accounting needs of the organization
17. Which of the following would be a variable cost of a manufacturer of Mangoes Juice?
18. The cost of mangoes needed to manufacture the juice
19. The rent of the factory.
20. Salary paid to the firm’s accountant
21. Insurance paid to cover the company’s buildings
22. Which one of the following is not a recognized cost classification?
23. Time
24. Function.
25. Performance
26. Type
27. Direct costs are also known as:
28. Overhead costs.
29. Prime costs.
30. Indirect costs
31. Marginal costs.
32. A business absorbs overheads on the basis of hours worked on a specific job. If the overhead absorption rate has been calculated at TZS 30 per hour, and a job is estimated to take 20 hours, what price would be charged to the customer if the company's mark-up is 50%?
33. TZS 1,200
34. TZS 300
35. TZS 900
36. TZS 600
37. An inventor of a product is paid TZS 20,000 every time a product is sold. Such a cost would be classified as a:
38. Fixed cost
39. Variable cost.
40. Semi-variable cost
41. Mixed cost
42. Economic order quantity is found at the point where:
43. Stock holding cost curve intersect with ordering cost curve
44. Annual demand is at minimum.
45. The total inventory costs are not given
46. The total inventory costs are at maximum **(@2 =Toal 20 Marks)**

**QUESTION TWO**

1. Discuss the importance of cost accounting to the management, employees, creditors, and government. **(12 Marks)**
2. Mention and explain steps to be taken while installing cost accounting systems

**(8 Marks)**

**[Total =20 Marks]**

**QUESTION THREE**

1. Define cost volume profit anlysis (CVP) and mention its basic assumptions (any four). **(5 Marks)**
2. **Mjasir ltd.,** produces a single product. The company’s income statement for the year ended 31st December 2023, during which 60,000units were produced and sold, was as follows:

**TZS “000” TZS “000”**

Sales 720,000

Materials 288,000

Direct labour 144,000

Factory overheads 51,000

Administration expenses 96,000

Selling expenses 68,000 647,000

Net profit 73,000

Additonal information:

The materials and direct labour are variables costs. 40% of factory overheads are variable costs. Selling and administration expenses include a sale’s commission of 5% on sale (variable cost). Apart from sales commision of 5%, all the remaining selling expenses and adminstration expenses are fixed.

**You are required to calculate:**

1. The company’s breakeven point in units and in TZS **(3 marks)**
2. Margin of safety **(3 marks)**
3. The company’s units that must be sold at TZS 13,000 per unit to provide a profit of 10% of sales revenue received from selling these units. **(4 marks**)
4. The profit the company would make in 2023 if it reduced its selling price to TZS 11,000, increased fixed costs by TZS 10,000,000 and there by increased the number of units sold to 80,000, with all other cost levels and percentages remaining unchanged. **(3 Marks)**

**[Total =20 Marks]**

**QUESTION FOUR**

1. In manufacturing its products a company has three raw materials A, B and C in respect of which the following apply:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Raw materials | Usage per units of production | Re-order quantity (units) | Price per unit (TZS) | Delivery period | Ordering level | Minimum level |
| A | 10 | 10,000 | 10 | 1 to 3 | 8,000 | ? |
| B | 4 | 5,000 | 30 | 3 to 5 | 4,750 | ? |
| C | 6 | 10,000 | 15 | 1 to 4 | ? | 2,000 |

Weekly production varies from 175 to 225 units, averaging 200.

Required:

Calculate the following stock levels:

1. Minimum Stock of A
2. Maximum Stock of B
3. Re-order Level of C
4. Average Stock Level of A **(@4 = 16 Marks)**
5. Material Control predict a proper organization for the efficient purchasing and storing of the materials, and for making them issued to the departments or the cost-centers in appropriate quantities, at the proper times and valued at the right prices.

**Required**:

List down any **four** important functions involved in material control in order to achieve the above intended objectives. **(4 Marks)**

**[Total =20 Marks]**

**QUESTION FIVE**

Write short notes on the followings:

1. Process costing
2. Batch costing
3. Contract costing
4. Job costing **(@ 5 marks = Total 20 Marks)**

**QUESTION SIX**

1. Define the term **overhead absorption** and show how the overhead absorption rate can be calculated. **(@1.5 = 3 marks**
2. A Manufacturing company ltd is divided in to four departments. Machining and Assembling are production departments; Store and Maintenance are service departments. Service departments serve production departments and other service departments on following proportions:

**Store department:** 50% to machining department, 50% to assembling department.

**Maintenance Department:** 40% to machining department, 35% to assembling department and 25% to store department.

The actual overhead costs for the period are as follows:-

**TZS**

Repair and maintenance to plant 200,000

Depreciation of plant 2,000,000

Rent 2,400,000

Supervision 1, 600,000

Power 1, 200,000

Lighting 1,000,000

Canteen 2,000,000

10,400,000

The following information is available with respect to the four departments:-

**Departments:** **Machining Assembling Store Maintenance**

Areas (sq. metre) 4,000 3,000 2,000 1,000

Number of employees 60 55 45 40

Effective horse power 20 30 30 20

Plant value (TZS) 700,000 600,000 400,000 300,000

**Required:**

1. Apportion the overhead costs to the respective departments? **(11 Marks)**
2. Show how the overheads of service departments will be re-apportioned to production departments. **(6 Marks)**

**[Total =20 Marks]**

**QUESTION SEVEN**

1. Differentiate marginal costing from absorbtion costing? **(5 Marks)**

A company manufactures a single product. The following cost details relate to the production year ended 31st December 2023.

**Per unit**  **TZS**

Selling price 3,600/=

Direct materials 800/=

Direct labour 320/=

Variable overheads 200/=

Actual sales and production units for the first quarter of 2023 are given as follows:

January – March

Sales 480,000 units

Production 560,000 units

There is no opening inventory at the beginning of January.

**The following information is also avaiable**

Annual fixed production overheads are budgeted to be TZS 3,200,000,000 and a company expects to produce 2,560,000 units per year. The company’s policy is to absorb fixed production overheads based on the production units. Actual overheads are TZS 3,200,000,000 for the year. Budgeted fixed selling costs are TZS 640,000,000.

**Required:**

Prepare income statement for the fisrt quarter (January – March,2023), using Absorption costing tecnique. **(15 Marks)**

**[Total =20 Marks]**