



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
JANUARY 2018 EXAMINATION

COURSE CODE: ACC 306

COURSE UNIT: 3

COURSE TITLE: Cost Accounting

TIME ALLOWED: 2 ½ Hours

Instructions:

- 1. Attempt question one (1) and any other (3) questions.**
- 2. Question one (1) carries 25 marks, while the other three (3) questions carry 15 marks each.**
- 3. Present all your points in coherent and orderly manner**

QUESTION 1

- a. The Department of Budgeting and Forecast in Costal Plc has the following information in respect of materials MGS:

| | Units |
|-----------------------------------|--------------|
| Normal month usage | 44,000 |
| Maximum anticipated monthly usage | 57,000 |
| Minimum anticipated monthly usage | 9,800 |
| Delivery period from suppliers: | |
| Maximum | 5 months |
| Normal 4 months Minimum | 2 months |
| Re-order quantity (EOQ) | 40,000 units |
| Required: | |
| (a) Calculate: | |
| (i) Re-order level | |
| (ii) Minimum stock level | |
| (iii) Maximum stock level. | |

- b. During the year, 20,000 units of Z were produced and sold. Costs and revenues were:

| | N |
|--------------------------|----------|
| Sales | 580,000 |
| Production costs: | |
| Variable | 135,000 |
| Fixed | 115,000 |
| Administrative + selling | |
| Overheads fixed | 125,000 |

Required

Show the net profit using both absorption and marginal costing approach.

- c. Outline four essential elements of effective cost accounting information.

QUESTION 2

Explain the following terms:

- i. Straight-line method;
- ii. Reducing balance method;
- iii. Production unit method;
- iv. Revaluation method
- v. Process costing

QUESTION 3

- a. State eight advantages of operating central stores.
- b. State seven duties of a store keeper.

QUESTION 4

Explain the following terms:

1. Deterministic or mechanistic system
2. Stochastic or probabilistic systems
3. Adaptive or self-organizing or cybernetic systems

QUESTION 5

Describe the following costing methods:

1. Job costing
2. Batch costing
3. Contract costing

QUESTION 6

Briefly explain the following measures of performance:

1. Controllable profit
2. Divisional profit
3. Net profit
4. Controllable residual profit
5. Net residual profit