ELIZADE UNIVERSITY, ILARA-MOKIN, ONDO STATE

FACULTY: SOCIAL & MANAGEMENT SCIENCES
DEPARTMENT: ACCOUNTING & FINANCE
FIRST SEMESTER EXAMINATIONS
2015/2016 ACADEMIC SESSION

COURSE CODE: ACC 203

COURSE TITLE: COST ACCOUNTING

DURATION: 2 HOURS: 30 MIN.

HOD's SIGNATURE

INSTRUCTIONS: ATTEMPT ANY THREE QUESTIONS

Question 1 (a)

1. The ability of management to monitor and supervise expenditure in order to ensure that organizational objectives are achieved may be termed A. Cost Control B. Cost Reduction C. Cost Allocation D. Cost Absorption E. Cost Maximization
2. Prime Costs consist of A. Direct Material and Direct Labour B. Direct Labour and Production Overhead C. Fixed Costs and Variable Costs D. Direct Labour only E. Direct Material only
3. Which of the following is not a Product Cost? A. Direct Labour B. Factory Overhead C. Selling and Distribution costs D. Direct Material E. Variable costs
4. A cost that changes in proportion to a change in activity level is a A. Mixed Cost B. Fixed Cost C. Variable Cost D. Step Cost E. Sunk cost
5. Which of the following is a Product Cost? A. Raw Material B. Selling Cost C. Distribution Cost D. Administration Cost E. Finance Interest
6. A formal instruction or request to the procurement department to purchase materials is known as: A. Goods Received Note B. Materials Requisition Form C. Purchase Requisition Form D. Purchase Order E. Store Requisition Note
7 A Purchase Order is distributed to the following except: A. The Supplier B. Goods Receiving Department C. Initiating Department D. Accounts Department E. Personnel Department
8 The document prepared by the Procurement department and issued to a supplier where goods supplied are not according to specification is: A. Debit Note B. Journal Voucher C. Credit Note D. Material Return Note E. Local Purchase Order F. Stock Period
9. The time taken between the placing of an order and the receipt of a the material is: A. Average Period B. Re-order Period C. Maximum Period D. Minimum Period E. Replacement Cost
10. Which of the following is not recognized by SAS4 as a method of valuing stocks? A. FIFO B. LIFO C. Specification Identification (10 marks)

Question (1b)

The management of Tunde Benson, a Battery Manufacturing Company Limited is planning to fix a selling price per unit of battery for the coming year. The cost accounting department presents the following figures derived from cost records and estimates made to guide the management in pricing decision:

	N
Direct material cost per unit	220
Direct wages per unit	400
Variable overhead cost per unit	150

Total fixed production overhead cost	850,000
Total administrative expenses	1,400,000
Total selling and distribution expenses	750,000

The company uses per unit basis of apportioning fixed (general) overhead, and the planned production for the year is 5,000 batteries.

The figure represents about 60% of plant capacity utilization; it is the maximum number that can be sold in the market. The company has a policy of charging 70% of total cost as target profit.

Required

Compute the selling price per unit of a battery in the company for the coming year.(10marks)

Question 2 (a)

The following data were extracted from the records of Okonkwo Uche Manufacturing Limited, based in Onitsha for a period:

Average usage 100 units per day
Minimum usage 600 units per day
Maximum usage 1300 units per day
Economic order quantity (EOQ) 50,000 Units
Re-order period 25 to 30 days

Required

Determine the following for the company:

(a) Maximum stock level
(b) Minimum stock level
(c) Re-order level
(d) Average stock level (15marks)

Question (2b)

Write short notes on the following terms

Raw Material
. Finance Interest
. Store Requisition Note
Debit Note
. Local Purchase Order (5 Marks)

Question 3 (a)

Tega Salubi Company Limited purchased the following articles in the year 2003

Jan. 1	4000 units @ N125 each
Feb. 4	3000 units @ N150 each
April 21	6000 units @ N175 each

Issues were made from the store as follows:

Jan. 10	1,600 units
Feb. 15	3,000 units
March 30	1,200 units
April 30	4,000 units

You are required to prepare the Stores Ledger Account of the company, using FIFO Method of Stock (15 marks)

3 (b) List and explain various methods of stock valuation you are familiar with (5 marks)

Question 4

Shope Yinoluwa Plc manufactures three products in two production departments, a machine shop and a fitting section. It also has two service departments, a canteen and a machine maintenance section. Shown below are next year.s budgeted production data and manufacturing costs for the company:

Product	X	Y	Z
Production	4,200 units	6,900 units	1,700 units
Prime cost:			
Direct materials	N 11 per unit	N 14 per unit	N 17per unit
Machine shop	N 12 per unit	N 4 per unit	N 2 per unit
Fitting section	N 12 per unit	N 3 per unit	N 21per unit
Machine hours per unit	6 hrs per unit	3 hrs per unit	4hrs per unit

Budgeted Overheads	Machine	Fitting	Canteen Shop section	Machine Maint. Section	Total
	N	N	N	N	N
Allocated Overheads	27,660	19,470	16,600	26,650	90,380
Rent, rates, heat and light					17,000
Depreciation & Insurance of equipment.					25,000
Additional data:					
Gross book value of equipment	150,000	75,000	30,000	45,000	
Number of employee	18	14	4	4	
Floor space occupied in square metres	3,600	1,400	1,000	800	

It has been estimated that approximately 70% of the machine maintenance section's costs are incurred servicing the machine shop and the remainder incurred servicing the fitting section.

You are required to:

(i) Calculate the following budgeted overhead absorption rates,

(ii) A machine hour rate for the machine shop, and

(iii) A machine expressed as a percentage of direct wages for the fitting (20 marks)

Question 5.(a)

A product passes through three distinct processes (A, B, and C) to completion. During the period 15th May, 2009, 1000 litres were produced. The following information is obtained:

	Process A	Process B	Process C
	N	N	N
Materials cost	40,000	15,000	5,000
Labour cost	20,000	25,000	15,000
Direct overhead expenses	5,000	3,000	3,000

Indirect overhead expenses for the period were N30,000 apportioned to the processes on the basis of wages. There was no work-in-process at the beginning or end of the period.

Required:

Calculate the cost of output to be transferred to the finished product (15 marks)

(5b) Briefly explain the following terms

Prime Costs — Variable costs

. Fixed Cost — Direct Materials

. Direct labour (5 marks)