AFRICA UNIVERSITY

(A United Methodist-Related Institution)

INVESTING IN AFRICA'S FUTURE

FACULTY OF EDUCATION

FIRST SESSION 2011 MAIN EXAMINATION QUESTION PAPER

COURSE CODE	MAC 201
COURSE TITLE	Cost Accounting
GROUP	B Ed (Block release)
EXAMINER	Mr. I. Rarami
DATE	December, 2011
DURATION	3 Hours
INSTRUCTIONS	1. Answer **one** question in Section A and it carries 40 marks 2. Answer **Three** questions from Section B and carries 20 marks **each** 3. Total possible mark is 100 4. Credit will be awarded for logical, systematic and neat presentation. 5. The marks allocated to each question are shown at the end of the question.

SECTION A

Question 1

(a) What is cost accounting? [2]

(b) Define the following cost accounting terms and give one example of each.

(i) Indirect material cost. (2)

(ii) Indirect expenses. (2)

(c) Distinguish between the following with the aid of diagrams.

(i) Variable costs and fixed costs. (4)

(ii) Step-variable costs and Step fixed costs. (4)

(d) The following information relates to various stock levels of B.E.D. BUSINESS firm.

Re-order quantity (EOQ)	3600 UNITS
Re-order period	3-5 weeks
Maximum consumption	900 units per week
Minimum consumption	300 units per week
Normal consumption	600 units per week
Annual consumption	30 000 units per week

Required to calculate:

(i) Re-order level (2)

(ii) Minimum level (2)

(ii) Maximum level (2)

(iV) Average level (2)

(e) A.U. Manufacturers used an item to manufacture its products at the rate of 1000 units per year. Ordering costs are $25 per order, holding costs are $20 per unit.

Required to calculate the Economic Order Quantity (E.O.Q) (4)

(f) Calculate the wages payable under each of the following premium bonus schemes.

(i) The Halsey premium bonus scheme (4)

(ii) The Rowen premium bonus scheme. (4)

In the following situations:

Time allowed from the job	5 hours
Time taken	3 hours
Rate per hour	$100

(g) The following information of B.E.D BUSINESS is a summary of the results of the initial allocation and apportionment of the production overhead cost items to both production and service cost centres.

			Productive	Cost Centre	Service	Cost Centre
Cost item	Basis	Total	Productive 1	Productive 2	Service B	Service A
		$	$	$	$	$
Total		2455	950	880	125	500

The following is a summary of service cost centre services used by other cost centres

	Other	Cost Centres		
Service Cost Centre	Productive 1	Productive 2	Service B	Service A
	$	$	$	$
Service A Service B	15% 40%	25% 35%	--- 25%	60% ---

Required to:
Carry out a secondary apportionment exercise by reassigning cost attributable to the service cost centres using the direct method. (6)

SECTION B

QUESTION 2

The following is the data for B,E.D PASSED for the six months to 31 June 2011, that relates to the production output and associated production overhead costs

MONTH .	Units	Production Costs
January	400	1050
February	600	1700
March	550	1600
April	800	2100
May	750	2000
June	900	2300

Required:

(a) Calculate using the High-Low method

(i) The variable production overhead cost per unit. (2)

(ii) The total fixed costs (2)

(b) Calculate using the simple linear regression analysis method.

(i) The variable production overhead cost per unit. (5)

(iii) The total fixed costs (5)

(c) Compare briefly the high-low method and the simple linear regression analysis in relation to the task of estimating fixed and variable elements of a sem-variable cost (6).

QUESTION 3

Gift, Cuthy and Shame has produced the following production and sales data for the past three quarters.

	Quarter 1	**Quarter 2**	**Quarter 3**	
Out Put	30 000 units	33 000 units	35 000 units	
Sales	$27 000	$27 000	$27 000	

The unit selling prices and variable production costs are $25 and $8 respectively. Fixed production and fixed selling overheads amount to $300 000 and $ 110 000 respectively.

Required:

(a) Draw up a profit statement for the three quarters on.

(i) Absorption costing basis (8)

(ii) Marginal costing basis (8)

(b) Discuss briefly the effect on profit of these two different methods of cost accounting. (4)

QUESTION 4

B.E.D firm makes a single product with a selling price of $50 per unit and a variable cost per unit of $20. Total fixed costs amount to $150 000 per annum. The tax rate I 40%.

Required:

4a Calculate the following figures.

(i) Contribution sales ratio (2)

(ii) Break-even in units and in dollars.(4)

(iii) Sales in units and in dollars required to achieve an operating profit of $150 000. (4)

(iv) Sales in units and in dollars required to achieve an after-tax profit of $300 000. (4)

4b.(i) Define break-even point. (2)

(ii). Define margin of safety. (2)

(iii) Distinguish between marginal costing and absorption costing.(2)

QUESTION 5

(a) What are the advantages and disadvantages of budgetary planning? (10)

(b) Zero Base Budgeting is a method of budgeting from a zero base, and justifying every item of expenditure in the budget. Managers using zero base budgeting are required to follow certain steps in preparing the budget.

State the steps followed in preparing the (Z.B.B) Zero Base Budget. (6)

(c) List four advantages of Zero Base Budget. (2)

(d) List four disadvantages of Zero Base Budget. (2)

END OF PAPER