INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - APRIL 2025

PROGRAMME: BBA
YEAR/SEM: YEAR 3/SEMESTER 2
COURSE CODE: ACC 3201
NAME: COST ACCOUNTING

DATE:
TIME:

INSTRUCTIONS TO CANDIDATES:

SECTION A

QUESTION 1 IS COMPULSORYT

Question 1:

Jean Marsh owns a small business making and selling children's toys. The following trial balance was extracted from her books on 31 December 2009.

	Dr £	*Cr* £
Capital		15,000
Drawings	2,000	
Sales		90,000
Inventory at 1 January 2009:		
Raw materials	3,400	
Finished goods	6,100	
Purchases of raw materials	18,000	
Carriage inwards	800	
Factory wages	18,500	
Office salaries	16,900	
J Marsh: salary and expenses	10,400	
General expenses:		
Factory	1,200	
Office	750	
Lighting	2,500	
Rent	3,750	
Insurance	950	
Advertising	1,400	
Bad debts	650	
Discount received		1,600
Carriage outwards	375	
Plant and machinery, at cost less depreciation	9,100	
Car, at cost less depreciation	4,200	
Bank	3,600	
Cash in hand	325	
Accounts receivable and accounts payable	7,700	6,000
	112,600	112,600

You are given the following additional information.

1 Inventory at 31 December 2009

Raw materials £2,900

Finished goods £8,200

There was no work-in-progress.

2 Depreciation for the year is to be charged as follows:

Plant and machinery £1,500

Car £500

3 At 31 December 2009 insurance paid in advance was £150 and office general expenses unpaid were £75.

4 Lighting and rent are to be apportioned: 4/5 Factory, 1/5 Office
Insurance is to be apportioned: 3/4 Factory, 1/4 Office

5 Jean is the business's salesperson and her salary and expenses are to be treated as a selling expense. She has sole use of the business's car.

Questions:

For the year ended 31 December 2009 prepare the cost sheet statement showing :

a) prime cost and factory cost of production. (15 mks)

b) administrative and selling and distribution costs.
(15 mks)

c) mention any five costs that are financial in nature and are not included in cost sheet(10 mks)

Question 2:

The following list of balances as at 31 July 2006 has been extracted from the books of Jane Seymour who commenced business on 1 August 2005 as a designer and manufacturer of kitchen furniture:

	£
Plant and machinery, at cost on 1 August 2005	60,000
Motor vehicles, at cost on 1 August 2005	30,000
Loose tools, at cost	9,000
Sales	170,000
Raw materials purchased	43,000
Direct factory wages	39,000
Light and power	5,000
Indirect factory wages	8,000
Machinery repairs	1,600
Motor vehicle running expenses	12,000
Rent and insurances	11,600
Administrative staff salaries	31,000
Administrative expenses	9,000
Sales and distribution staff salaries	13,000
Capital at 1 August 2005	122,000
Sundry accounts receivable	16,500
Sundry accounts payable	11,200
Balance at bank	8,500
Drawings	6,000

Additional information for the year ended 31 July 2006:

(i) It is estimated that the plant and machinery will be used in the business for ten years and the motor vehicles used for four years: in both cases it is estimated that the residual value will be nil. The straight line method of providing for depreciation is to be used.

(ii) Light and power charges accrued due at 31 July 2006 amounted to £1,000 and insurances prepaid at 31 July 2006 totalled £800.

(iii) Inventory was valued at cost at 31 July 2006 as follows:

Raw materials	£7,000
Finished goods	£10,000

(iv) The valuation of work-in-progress at 31 July 2006 included variable and fixed factory overheads and amounted to £12,300.

(v) Two-thirds of the light and power and rent and insurances costs are to be allocated to the factory costs and one-third to general administration costs.

(vi) Motor vehicle costs are to be allocated equally to factory costs and general administration

costs.

(vii) Goods manufactured during the year are to be transferred to the trading account at £95,000.

(viii) Loose tools in hand on 31 July 2006 were valued at £5,000.sales and distribution staff salaries accrued by 10%.

Required:

a. Prepare a COST SHEET statement for the year ending 31 July 2006 of Jane Seymour.(25 mks)

b. Explain any five business expenses that are not included in the cost sheet statements. (10mks)

c. Advice the above management (5 mks)

SECTION B

ANSWER ANY THREE QUESTIONS

Question 1:

The following data were obtained from the books of J.B engineering company for the half year ended 30th September 2010. Prepare departmental distribution summary

	Producing departments			Service department	
	A	B	C	X	Y
Area occupied sq.yds	800	600	600	200	200
Electricity MGW	8	6	6	2	3
Direct wages '000' shs	7,000	6,000	5,000	1,000	1,000
Direct materials '000' shs	3,000	2,500	2,000	1,500	1,000
Employees No.	400	300	300	100	100
Light points No.	100	150	150	50	50
Assets values '000' shs	50,000	30,000	20,000	10,000	10,000

The overheads for 6 months were as under;

	shs '000'
Stores overhead	400
Motive power	1,500
Electric lighting	200
Labour welfare	3,000
Depreciation	6,000
Repairs and maintenance	1,200
General overheads	10,000
Rent and taxes	600

Apportion the expenses of department X in the ratio of 4:3:3 and that of department Y in proportion to direct wages, to department A, B and C respectively;
(20 MARKS)

QUESTION 3:

A pharmacy orders syringes in boxes periodically and the time between placement of the order and receipt of goods is 3 weeks. Presently they place an order of 3850 boxes. The present annual demand is 34650 boxes. Each box of syringes costs 50,000/= and the cost of placing an order is 500,000/=. The annual carrying cost is 8% of the cost of the box. Assume a year of 52 weeks.

Required:

i) Determine the level of inventory that will minimize total inventory [EOQ]

ii) Determine the annual cost of managing inventory

iii) Total Annual cost of inventory

iv) Determine re-order point or quantity

v) Advise weather the present order will minimize total inventory management cost (each 4mks)

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iv) Determine re-order point or quantity

v) Advise weather the present order will minimize total inventory management cost (each 4 mks)

Question 3:

A company has three production departments and two service departments. Distribution summary of overheads is as follows;

Production department service departments

	shs		
A	3,000,000	1	shs 234,000
B	2,000,000	2	shs 300,000
C	1,000,000		

The expenses of service departments are charged on a percentage basis which is as follows;

	A	B	C	1	2
1	20%	40%	30%	-	10%
2	40%	20%	20%	20%	-

Find out the total overheads of production departments using the following methods;

a) Simultaneous equation method (10 mks)

b) Repeated distribution method (10 mks)

Question 4:

Bull Company Limited purchased the following articles in 2013:

1 Jan,5,000 units at ugx 1,000 each

11Feb, 1,300 units at ugx 1,300 each

25 April 3,000 units at ugx 1,450 each

Issues were made from the store as follows:

10 Jan800 units

15 Feb1,000 units

20th feb 300units

30 March 600 units

30 April 2,000 units

Required:

Prepare the Stores Ledger Account of thecompany, using FIFO, LIFO and Weighted Average methods of Stock Valuation to determine theclosing stock as at 30 April, 2013.

(20mks)

Question 5:

From the folloing information, prepare the payroll for the month of December 2024'

Clock no.	NAME	NO.OF HRS WORKED	RATE	ADVANCE
4122	PETER	220	20	700
4123	MILES	230	15	600
4124	SHAKIRA	300	13	900
4125	ABDALLA	220	19	700
4126	HON	200	15	NONE
4127	SIMON	190	16	NONE
4128	ZAMZAM	185	15	600

Additional information:

Normal working hours per month are 180 hours, overtime payable for extra hours at the rate of 50 % above normal rate.

P.AY.E to be deducted at the rate of 15% of gross wage.

N.S.S.F TO BE DEDUCTED shs100 PER EMPLOYEE

N.HI.F to be deducted shs40 for each employee. (20mks)

Question 6:

The following information is extracted from the records of a manufacturing company that is divided into foru department:

Shs.

Rates
25,000

Depreciation -building
55,000

Machinery
25,000

Building maintenance
15,000

Insurance -building
5,000

Machines
5,000

Stocks
12,000

Workmens compensatiom
3,000

Electricity -lighting
20,000

Power
24,000

Supervision
55,000

Personnel. Time keeping and payroll
42,000

Canteen expenses
14,000

	DEPT A	DEPT B	DEPTC	DEPT D
Area	5,000	2,000	3,000	1,000
Value of machine	80,000	40,000	20,000	60,000
Running hours of machines	15,000	7,000	8000	NIL
Average value of stocks	20,000	15,000	15,000	10,000
Wage paid	120,000	170,000	80,000	30,000
Number of eployees	15	20	15	10

REQUIRED:

Apportion the costs to the four departments indicating clearly which base you have chosen as most appropriate. Give reason why you have chosen the particular base. (20 mks)

Question 7:

Explain the three major causes of labor turnover (10 mks)

From the following data given by the Personnel Department, calculate the labour turnover

rate by applying:

a) Separation method

b) Replacement method, and

c) Flux method.

No. of workers on the payroll:

At the beginning of the month	900
At the end of the month	1,100

During the month, 10 workers left, 40 persons were discharged and 150 workers were recruited. Of these, 25 workers are recruited in the vacancies of those leaving, while the rest were engaged for an expansion scheme.(10 mks)

Question 8:

Briefly but clearly write notes on the following.

a) Cost ascertainment

b) Purpose of cost classification

c) Cost drive

d) Cost center

e) Margin costs

(each 4 mks)

Question 9:

Auto co.ltd. which manufactures two products Pand Q has provided the following information:

		Selling price	variable cost	fixed cost
Product 2	P	10		50,000
Product 8	Q	13		34,000

REQUIRED:

a. Calculate the break even point of each products in unit (10 mks)

b. Compute the profits of each product if sales in units are 20% above the break even point.(5 mks)

c. Give five assumptions when calculating the break even point. (5mks)

Question 10:

a) Explain some alternative costing system (10 mks)

b) Write short notes on the selection of cost accounting system (10 mks)

Question 11:

The following data were obtained from the books of J.B engineering company for the half year ended 30th September 2010. Prepare departmental distribution summary

	Producing departments	Service department

A	B	C	stores	clerical	
Area occupied sq.yds	1800	1600	1600	1200	1200
Electricity MGW	800	600	600	200	300
Direct wages ‘000’ shs	7,000	6,000	5,000	1,000	1,000
Direct materials ‘000’ shs	3,000	2,500	2,000	1,500	1,000
Employees No.	400	300	300	100	100
Light points No.	100	150	150	50	50
Assets values ‘000’ shs	50,000	30,000	20,000	10,000	10,000

The overheads for 6 months were as under;

	shs ‘000’
Stores overhead	4,000
Motive power	1,500
Electric lighting	4,000
Labour welfare	8,000

Depreciation	6,000
Repairs and maintenance	1,200
General overheads	10,000
Rent and taxes	600

Apportion the expenses of stores in the ratio of 4:3:3 and that of department clerical in proportion to direct wages, to department A, B and C respectively;
(20 MARKS)

Question 12:

The following information is extracted from the records of a manufacturing company that is divided into four department:

Shs.

Rates
25,000

Depreciation -building
55,000

Machinery
25,000

Building maintenance
15,000

Insurance -building
5,000

Machines
5,000

Stocks
12,000

Workmens compensatiom

3,000

Electricity -lighting
20,000

Power
24,000

Supervision
55,000

Personnel. Time keeping and payroll
42,000

Canteen expenses
14,000

	DEPT A	DEPT B	DEPTC	DEPT D
Area	5,000	2,000	3,000	1,000
Value of machine	80,000	40,000	20,000	60,000
Running hours of machines	15,000	7,000	8000	NIL
Average value of stocks	20,000	15,000	15,000	10,000
Wage paid	120,000	170,000	80,000	30,000
Number of eployees	15	20	15	10

REQUIRED:

Apportion the costs to the four departments indicating clearly which base you have chosen as most appropriate. Give reason why you have chosen the particular base. (10 mks)

Dept C and D are service department, reapportion their overheards in these ratio.DEPT C, 4:4:2 nand DEPT D 3:3:4
(10 mks)

Question 13:

A company has three production departments and two service departments. Distribution summary of overheads is as follows;

Production department		service departments	
	shs		
A	3,000,000	1	shs 234,000
B	2,000,000	2	shs 300,000
C	1,000,000		

The expenses of service departments are charged on a percentage basis which is as follows;

	A	B	C	1	2
1	30%	30%	30%	-	10%
2	40%	20%	20%	20%	-

Find out the total overheads of production departments using the following methods;

a) Simultaneous equation method (10 mks)

b) Repeated distribution method (10 mks)