INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - AUGUST 2025

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

DATE:
TIME:

INSTRUCTIONS TO CANDIDATES:

SECTION A

SECTION A IS COMPULSORY

Question 1:

1. Mr. Uganda Batteries Ltd Manufactures Batteries. On 1st January 2019, he had 3,000 batteries in stock. During 2019 he manufactured 100,000 batteries and sold 95,000 batteries at a price U$ 60 per battery.

The following balances were extracted from his ledger on 31sr December 2019.

Stock of raw materials	1.1 2019	116,400
Stock of raw materials	31.12. 2019	162,800
Purchase of raw materials		1,345,000
Carriage on raw materials		412,000
Direct wages		827,000
Direct Expenses		100,000
Factory Expenses: Rent and Rates		384,000
Power and Heat		172,000
Insurance etc		156,400

Plant and Machinery (Net of depreciation on 1st Jan 2009) U $ 2,000,000

Required: A Manufacturing Account (or a Manufacturing Statement) showing clearly the sub-totals of

1) Cost of Raw materials used

2) Prime Cost

3) Factory Cost of Entire Production in 2019

4) Factory Cost per Battery manufactured in 2019

5) A trading account for the year ended 31st December 2019

The following additional information is also available:

a) Stock of work in progress on 1st January and 31st December were of insignificant value and are to be ignored.

b) Provide 10% depreciation on Plant and Machinery using Reducing Method

c) Finished units of Batteries are valued at Factory Cost.

d) Factory Cost per unit of batteries was exactly the same in the years 2018 and 2019.

(40 Marks)

Question 2:

The summarized Income Statement for the year ended 31st December 2020 and the Balance Sheet at that date, for Mukwano Industries and Mulwana Industries ware as follows.

Income Statement

	Mukwano Limited	Mulwana Limited
	540,000	540,000
Sales		
Less: Cost of Sales		
Opening Stock	72,000	42,000
Add: Purchases	480,000	486,000
Goods Available for sale	552,000	528,000
Less: Closing Stock	78,000	48,000
Cost of Sales	474,000	480,000
Gross Profit	66,000	60,000
Operating Expenses	14,000	20,000
Interest on Debentures	10,000	7,000
Net Profit before Tax	42,000	33,000
Estimated Tax	21,000	16,000
Net Profit After Tax	21,000	17,000

Balance Sheets				
Fixed Assets		192,000		162,000
Current Assets				
Stock	78,000		48,000	
Trade Debtors	60,000		36,000	
Bank	126,000		54,000	
Total Current Assets	264,000		138,000	
Less: Current Liabilities				
Trade Creditors	96,000		60,000	
Working Capital		168,000		78,000
Net Assets or Net Worth		**360,000**		**240,000**
Financed By:				
Share Capital	75,000		120,000	
General Reserve	60,000		28,000	
Retained Profit	45,000		10,000	
Shareholders Funds		180,000		158,000
Debenture		180,000		82,000
Capital Employed		**360,000**		**240,000**

Required: Give your Comparison of the two Companies using the following ratios Gross Profit Ratio, Net Profit Ratio, Return on Capital, Return on Capital Employed, Quick Ratio, Rate of Stock Turnover, Rate of Stock period, Debtors Collection Period, Creditors Payment Period, Rate of Assets Turnover and Capital Gearing Ratio. (40 Marks)

SECTION B

ATTEMPT ANY THREE QUESTIONS FROM THIS SECTION

Question 1:

a) Define 'budgetary control'. State the advantages of budgetary control in an organisation**. (10 Marks)**

b). Explain the process by which the various budgets are prepared**. (5Marks)**

c). Discuss the nature and functions of a budget committee**.** (5Marks)

Question 2:

a). State the differences between Financial Accounting, Cost Accounting and Management Accounting**. (10 Marks)**

b). Discussion as to why it is vital for a business to prepare a cash budget. (10 Marks)

Question 3:

a). What are the duties and responsibilities of a Management Accountant? (10 Marks)

b). Discuss the different methods used for the analysis and interpretation of financial statements. **(10 Marks)**

Question 4:

a). What are Advantages and Disadvantages of using Absorption costing technique (**10 Marks)**

b). Define with examples the Advantages and Disadvantages of Standard costing (**10 Marks)**

Question 5:

Define the Following;

a). Cost Unit. (5Marks)

b). Direct Cost (5Marks)

c). Indirect Cost (5Marks)

d). Prime Cost (5Marks)

Question 6:

Write short notes on the following

a). Over heads (5Marks)

b).Cost Centers (5Marks)

c). Cost Allocations (5Marks)

d). Cost Apportionment (5Marks)

Question 7:

Explain with Examples the following batch of accounting

a), Management Accounting (5Marks)

b), Cost Accounting (5Marks)

c), Financial Accounting (5Marks)

d), Auditing accounting (5Marks)

Question 8:

Under Working Capital policies explain with examples the three policies

a), An Aggressive policy

b), Conservative policy

c), Moderate policy

(20 Marks)

Question 9:

Explain with examples the three Techniques of costing

a). Historical Absorption Costing:

b). Differential Costing

c). Marginal Costing

(20 Marks)

Question 10:

Explain the following Ratio

a). Liquidity Ratio: (5Marks)

b). Activity Ratio: (5Marks)

c). Capital Gearing Ratio: (5Marks)

d). Current Ratio: (5Marks)

Question 11:

Explain how the following sources of cash outflow are outflows.

a). Losses made. **(4 Marks)**

b). Purchase of fixed assets. **(4 Marks)**

c). Increase in debtors (Accounts receivable). **(4 Marks)**

d). Loans repaid. (**4 Marks)**

e). Decrease in creditors (Accounts payable). **(4 Marks)**

Question 12:

Explain how the following sources of cash inflow are obtained.

a). Profits made (4 Marks)

b). Sale of fixed assets (4 Marks)

c). Decrease in stock (High sales) (4 Marks)

d). Introduced capital (Debentures/Share capital) (4 Marks)

e). Loans obtained (4 Marks)