



NKUMBA UNIVERSITY

School of Business Administration

END OF JANUARY 2021 SEMESTER EXAMINATIONS

KAMPALA CAMPUS

PAPER

COST ACCOUNTING

LEVEL

DEGREE

TIME

3 HOURS

STUDY SESSION

EVENING

INSTRUCTIONS:

1. **DO NOT WRITE ANYTHING ON THIS QUESTION PAPER.**
2. Read the **QUESTIONS** carefully and the **INSTRUCTIONS** on the **ANSWER BOOKLET** before attempting to answer any question.
3. **ALL ROUGH WORK** must be done on the **second last page of the booklet and clearly indicated "Rough work".**
4. **Attempt ANY Three (03) questions. Use a provided Graph paper where applicable. All questions carry equal marks. Always start answering each question on a fresh page.**
5. Write clearly in **BLUE** or **BLACK** ink and always cite relevant examples and cases where applicable. A pencil can only be used for diagrams.
6. Nkumba University examinations are conducted in accordance with the *Nkumba University Senate General Rules & Regulations 2009*. Breach of the above instructions, irregularity, or any other contravention of the examination regulations will lead to disqualification and/ or subsequent disciplinary action by Senate.

Question One:

Finance and accounting have assumed much importance in today's competitive world of business where corporate organizations have to show the true and fair view of their financial position. Thus, the application of accounting in the business sector has become an indispensable factor. The Company Secretary has to provide the complete and accurate information about the financial operations of the company to management for decision making. This emphasizes that the books of account are to be maintained accurately, up-to-date and as per the norms. Basing on this background Justify the study and institution of cost accounting as an organizational information system alongside the traditional financial accounting information system.

Use well documented and appropriate illustrations in your justification. **(25 Marks)**

Question Two:

Kirombe (U) Ltd produces a product called Toffaali which passes through three processes A, B and C. During October 2019, the following took place in that company.

Process A - data

- 12,000 kg of material 1 were injected into the production process and each kg was valued at Shs. 6,500/=
- Direct labour cost was 8,500 labour hours used in the production process and each hour was at Shs 3,500/=
- Actual output turned out to be 9,500 units.
- Process loss was scrapped at Shs. 6,000/= per unit and was paid for by cheque.

Process B - data

- 4,000 kg of materials were added to the production process and each kg was valued at Shs. 7,000/=
- Direct labour amounted to Shs. 14,000,000 (14m)/=
- Actual output turned out to be 10,500 units and the process loss was scrapped at Shs. 9,000/= per unit.

Process C -data

- Additional materials totaling 1,000 kg valued at Shs. 5,000/= per kg were introduced in the production process.
- Direct labour amounted to Shs. 12,000,000
- Actual output was 11,500 units while process loss was scrapped at Shs. 9,000/= per unit.

Additional information

- i. Overheads were absorbed at 120% of direct labour.
- ii. Normal loss was expected to be 8%, 6%, and 3% respectively for process A, B and C.
- iii. All process losses were scrapped and properly paid for.

Required;

- 1) Prepare the process accounts for this product. **(20 Marks)**
- 2) Determine the product cost per unit. **(5 Marks)**

Question Three:

Beauty queen Plc is a manufacturing firm with five (5) departments. A, B and C are productive departments, while X and Y are service departments. The following data have been availed

Particulars	Amount (Ugx)
Electricity	1,540,000
Air conditioning	900,000
Insurance of Fixed Assets	650,000
Plan and Machinery Depreciation	760,000
Labour welfare expenses	1,230,000

Additional information;

Department	A	B	C	X	Y
Indirect Labour	482,000	383,000	94,000	730,000	263,000
Floor area (sq. meters)	17,200	17,200	14,000	9,000	5,000
Book value of F/Assets	38M	30M	32M	18M	26M
K.W.H	16,000	17,600	6,400	6,000	2,000
NO. of Employees	320	430	120	130	90

Required:

- a) To allocate the anticipated costs to all production and service departments. **(15 Marks)**
- b) To re-apportion the costs of the service departments to the production departments using the repeated distribution method. **(10 Marks)**

Question Four:

- a) Polyfibre (U) Ltd located in Ntinda produces customized polythene bags used by different manufacturers to pack their products. The following information relates to the month of April 2019:

- Production 40,000 polythene bags
- sales 30,000 polythene bags

Item	Ugx
Production costs:	
Direct materials	4,800,000
Direct Labour	1,200,000
Variable overheads	1,000,000
Fixed overheads	1,800,000
Selling and administration costs:	
Sales commission	500,000
Variable general expense	320,000
Overheads (fixed)	480,000

The company sells each polythene bag at **Shs 300**

Required:

- i. Profit /Loss account on the basis of Absorption Costing. **(8 Marks)**
- ii. Profit / Loss account on the basis of Marginal Costing. **(8 Marks)**
- iii. Account for the difference in the profit reported in the two approaches. **(3 Marks)**
 - b) Mention six assumptions that underlie the Cost- Volume Profit Analysis. **(5 Marks)**
 - c) Outline and explain two advantages in each case for:
 - i. Absorption Costing **(2 Marks)**
 - ii. Marginal Costing **(2 Marks)**

Question Five:

The following information relates to item W008 stocked and sold by Century Enterprises Ltd for the month of October 2018.

Date	Details	Units	Unit cost price	Unit sale price
3	Purchases	800	100	-
5	Purchases	400	110	-
12	Sales	600		220
13	Purchases	1000	130	
19	Sales	800		240
22	Sales	300		240
26	Purchases	700	120	
27	Sales	600		280
28	Sales	200		290
29	Sales	1000		300

The closing balances for September 2018 were 1000 units received at a cost price of Ugx 90 each.

Required:

- i) Stores ledger account under FIFO system of stores issue. **(12 Marks)**
- ii) Compute the value of closing inventory and prepare a trading account for the month of October 2018. **(10 Marks)**
- iii) Give one reason in each case why URA and IAS 2 inventories, do not accept the use of LIFO for determining the value of closing stock. **(3 Marks)**

Question six:

Use the following information to prepare a structure and determine the net pay for each employee of *Dot Consultants Ltd*, a business consultancy firm located along George Street in Nabugabo, Kampala for the month ended 31 may 2020:

No.	Name	Title	Basic pay (Ugx)
1	Masasizi Ronald	Manager	5,000,000
2	Nalubega Brenda	Supervisor	4,000,000
3	Lubega Bashiru	Accountant	3,500,000
4	Nakimera Joyce	Office Administrator	3,200,000
5	Atuhaire Rose	Stores Assistant	3,050,000
6	Kimuli Isaac	Cashier	2,500,000
7	Akello Jesca	Office Messenger	1,200,000
8	Omoding Peter	Driver	1,050,000
9	Kato Micheal	Cleaner	800,000
10	Mbabazi Juliet	Security Guard	500,000

Additional information:

- i. Each of the above employees, except the manager is entitled to lunch allowance of Ugx 100,000.
- ii. Apart from the security guard the rest of the other employees are also entitled to transport allowance of Ugx 100,000.
- iii. The supervisor happens to have taken a salary advance of Ugx 500,000 during the month.
- iv. The manager is entitled to housing allowance of Ugx 500,000, lunch allowance of Ugx 200,000 and transport allowance of Ugx 100,000.
- v. The manager got a loan from the consultancy. In repayment of this loan, the consultancy deducts Ugx 500,000 on a monthly basis.
- vi. All allowances are paid or claimed on as monthly basis. **(25 Marks)**

...End of Question Paper....

