

MGT 98

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3/2/2020

REDEEMER'S UNIVERSITY  
PMB 230, Ede, Osun State



COLLEGE OF Management Sciences

DEPARTMENT OF Accounting

COURSE CODE /TITLE ACC 203 / Cost Accounting I

First SEMESTER EXAMINATIONS

2019/2020 SESSION

**INSTRUCTIONS ON CHOICE OF QUESTIONS TO BE ANSWERED**

Attempt Four Questions (Question 1 and any other 3)

TIME ALLOWED 2.30 hours

**QUESTION 1**

- a. Tinsel Manufacturing Limited has three principal departments in its production process: mixing, baking and packaging. In June 2019 the company incurred the following production overheads which it plans to allocate and apportion as follows between its three departments:

	₦	Basis of apportionment
Factory rent and rates	79 100	Floor area
Factory cleaning	9 100	Floor area
Supervisory salaries	184 000	No. of employees
Other indirect labour	142 100	Floor area
Electricity	65 600	Actual
Building maintenance	6 320	Actual
Insurance	10 640	Floor area
Machinery depreciation	<u>3 700</u>	Machinery carrying amount
Total	<u>500 560</u>	

The following information is relevant for the apportionment of overheads:

	Total	Mixing	Baking	Packaging
Floor area	7 000 sq. m.	2 500 sq. m.	2 500 sq. m.	2 000 sq. m.
Employees	16	6	4	6
Machinery NBV	₦ 44 400	₦ 18 240	₦ 20 040	₦ 6 120
Electricity	₦ 65 600	₦ 21 600	₦ 31 040	₦ 12 960
Building maintenance	₦ 6320	₦ 3600	-	₦ 2720

**Required:** produce a schedule apportioning the overheads between the three departments (cost centres).

- b. Differentiate between overhead allocation, overhead apportionment and <sup>(9 marks)</sup>over-absorption (6 marks)

## QUESTION 2

- a. Use the following information to calculate the value of inventory on hand on Mar 31 2019 and the closing inventory for the period under FIFO inventory system.

Mar 1	Beginning Inventory	98 units @ N15.00 per unit
5	Receipts	170 units @ N15.50 per unit
9	Issue	124 units
11	Receipts	70 units @ N16.00 per unit
16	Receipts	108 units @ N16.50 per unit
20	Issue	146 units
29	Issue	102 units

( 8 marks)

- b. State two advantages of first in first out method of pricing issues over last in first out (2 marks)
- c. Materials may be kept in either a central store or in sub stores. State three advantages and two disadvantages of maintaining a central store. (5 marks)

## QUESTION 3

- a) The economic order quantity (EOQ) model appears to be a perfect inventory model. However, it has its limitations. State five of the limitations of the EOQ model (5 marks)
- b) Benbo Ltd uses 25,000 batteries annually at a rate of 100 batteries per week. The purchase price is N20 per unit. The total carrying costs per annum is N2.50 per unit and cost per order being N50.

Required:

- i. Determine the EOQ using the formular method (2 marks)
- ii. Prepare in tabular form, the total relevant cost for each of the following order sizes, 500, 1000, 1250, 2500, 5000, 12,500, 25,000 (8 marks)

## QUESTION 4

- a) State three disadvantages of the day rate method *of remuneration* (3 marks)
- b) An operator engaged in machining certain components receives an ordinary day rate of ₦ 160 per day of 8 hours. The standard output for machining the components has been fixed at 80 per hour. On a certain day the output of the worker on this machine is 800. Find the total labour wages that would have been earned by the workman under the following: i. **Halsey method** ii. **Halsey-weir method** iii. **Rowan bonus scheme** (12 marks)

## QUESTION 5

Differentiate between the following costing terminologies

- i. Cost and costing (3 marks)
- ii. Cost unit and cost centre (3 marks)
- iii. Direct cost and indirect cost (3 marks)
- iv. Cost classification and cost coding (3 marks)
- v. Fixed cost and variable cost (3 marks)

## QUESTION 6

- a) State five benefits of cost coding to an organization. (5 marks)
- b) State five main objectives of cost accounting (5 marks)
- c) Discuss briefly, five differences between cost accounting and financial accounting (5 marks)