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DMI-ST. EUGENE UNIVERSITY

ZAMBIA

DEGREE EXAMINATION – JUNE 2023

Semester: V

551/552AC56 COST ACCOUNTING

Time: 3:00 Hours

Max. Marks: 100

Answer any FIVE Questions (5 x 20 = 100 Marks)

1. a) From the following information, prepare a cost sheet for the month of January

	K	
Stock of raw materials on 1 st January	25,000	
Stock of raw materials on 31 st January	26,200	
Purchase of raw materials	21,900	
Carriage on purchases	1,100	
Sale of finished goods	72,300	
Direct wages	17,200	
Indirect wages	800	
Direct expenses	1,200	
Factory overheads	8,300	
Administrative overheads	3,200	
Selling overheads	4,200	(10 Marks)

b) A manufacturing company submits to you the following details about the various expenses incurred by it during the year ended 31st December 2020.

	K
Cost of raw materials consumed	25,000
Advertising	1,000
Factory office salaries	1,500
Legal expenses	300
Supervisor's salary	5,500
Factory rates and insurance	1,000
Carriage outwards	1,500
Direct Labour	20,000

Bad debts	300
Office stationery	200
Rent of factory	2,500
Office salary	10,000
Commission on sales	4,000
Audit fees	300
Depreciation on plant and machinery	1,500

Calculate the Prime Cost, Works Cost, Cost of Production, Total Cost. **(10 Marks)**

2. a) What are the objectives of material control? **(5 Marks)**

b) i) Define material control. **(2 Marks)**

ii) What is the scope of material control? **(3 Marks)**

c) What are the advantages of ABC analysis? **(5 Marks)**

d) Find the economic order quantity:

Annual usages	20,000 units
Buying cost per order	K 10
Cost per unit	K 100
Cost of carrying inventory	10% cost. (5 Marks)

3. a) i) From the following data, calculate the labour turnover rate by applying replacement method

	K
No of workers replaced during 2021	250
No of workers on 1.1.2021	9,000
No of workers on 31.12.2021	11,000 (5 Marks)

ii) What are the objectives of time keeping? **(5 Marks)**

b) Calculate the normal and overtime wages payable to a workman from the following data.

Days	Hours worked
Monday	8
Tuesday	10
Wednesday	9
Thursday	11
Friday	9
Saturday	4

Normal working hours -8hours per day

Normal rate - K2 per hour

Overtime rate- Double the usual rate **(10 Marks)**

4. a) Discuss in detail, how you would deal with incomplete contracts and profit? **(12 Marks)**

b) Compute the works cost from the following

	K	
Materials	40,000	
Labour	30,000	
Direct Expenses	15,000	
Factory overheads	35,000	
<u>Work in progress:</u>		
Opening stock	17,000	
Closing stock	7,000	(8 Marks)

5. a) Discuss the advantages and disadvantages of standard costing. **(10 Marks)**

b) For production of 10,000 units the following are budgeted expenses:

	Per unit
	K
Direct materials	48
Direct labour	24
Variable overheads	20
Fixed overheads	12
Variable expenses	4
Selling expenses	10.80
Distribution expenses	<u>3.20</u>
	122

Prepare a budget for production of 7,000 units and 9,000 units. **(10 Marks)**

6. a) From the information below determine the “cost of raw materials consumed”.

	31 March 2009 (K)	31 March 2010 (K)
Raw material	10,000	12,000
Work in progress	15,000	17,000
Finished goods	30,000	25,000
Purchases		70,000

(4 Marks)

b) With the help of vivid examples, explain the following terms:

- i. Indirect material
- ii. Indirect Labour
- iii. Direct Expenses
- iv. Indirect Expenses **(8 Marks)**

c) List and describe twelve advantages of cost accounting. **(8 Marks)**

7. a) Explain four advantages of continuous stock taking. **(8 Marks)**

b) Material A and B are used as follows:

Minimum used: 50 units a week

Normal usage: 100 units a week

Maximum usage: 150 units a week

Ordering quantity:

A: 500 units

B: 800 units

Re-order period

A: 3 to 5 weeks

B: 5 to 7 weeks

Normal Reorder Period : 5 days

You are required to calculate for each material

- (i) Maximum level
- (ii) Minimum Level
- (iii) Re-order level
- (iv) Average stock level **(12 Marks)**