



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2021_2 EXAMINATION

Course Code: ACC 306

Credit Unit: 3

Course Title: Cost Accounting

Time Allowed: 3 HOURS

Instructions:

- 1. Attempt Question 1 and any other three (3) Questions.**
- 2. Question 1 is compulsory and carries 25 marks while the other 3 Questions carry 15 marks each.**
- 3. Present all your workings in a coherent and orderly manner.**

QUESTION ONE

- a. Enumerate any **five** rules to be borne in mind in preparing a cost statement for an organization
- b. Jones Ltd, manufacturing, trading, profit and loss accounts for the year ended 31st December, 2016.

	₦		₦
Opening stock of raw materials	50,000	Cost of goods produced of 20,000 units transferred to Stock.	<u>160,000</u>
+ Purchases of raw materials	<u>125,000</u>		
	175,000		
Less closing stock	<u>68,000</u>		
	107,000		
Wages	<u>25,000</u>		
Prime cost	132,000		
Factory overhead	<u>28,000</u>		
	160,000		
Balance b/f		Sales (18,000 unit@₦12)	160,000
8000 unit @ ₦8	64,000		216,000
Transfer from manufacturing a/c			
20,000 @ ₦8	<u>160,000</u>		
	224,000		
Less closing stock			
10,000 @ ₦8	<u>80,000</u>		
	144,000		
Gross profit c/c	<u>72,000</u>		
	216,000		<u>216,000</u>
Administrative expenses	22,000		72,000
Selling expense	9,000		
Distribution expense	7,000		
Net profit	<u>34,000</u>		
	<u>72,000</u>		<u>72,000</u>

You are required to reproduce the above financial statement using cost accounting format. Specifically prepare:

- i. Production cost statement
- ii. Cost of sales
- iii. Cost accounting profit and loss account

c. The following data are related to the operation of Zuby Ltd, an importer and distributor of sewing machines for 6 months ended June 30, 2020. There was an opening stock of 100 units valued for ₦390,000.

Date		Quantity	Cost/Price per unit
Jan	Purchases	100	4,100
Feb	Sales	150	6,400
Mar	Purchases	200	5,000
April	Sales	200	7,000
May	Purchases	400	5,200
June	Sales	100	7,400

You are required to show the stock ledger records using

- i. First in first out method
- ii. Weighted average method

QUESTION TWO

- a. State any **five** duties of a stock keeper in an organization.
- b. Mention any **five** factors taken into consideration when fixing the maximum stock in an organization
- c. The following data relates to White ltd with respect to its inventory for a particular period.
 - Annual material requirement 40, 000 units
 - Unit cost of material ₦40, ordering cost at ₦250 per order, carrying cost is ₦5 per unit. Lead time 3 – 5 months
 - Material usage -maximum 300 units
 - minimum 200 units

Calculate:

 - i. EQQ
 - ii. Total inventory cost
 - iii. Re-order level
 - iv. Maximum stock level
 - v. Minimum stock level

QUESTION THREE

- a. Outline and briefly explain any **six** methods of ascertaining actual cost in cost accounting.
- b. What is the main objective of process costing.
- c. State any **three** production conditions necessary for the application of process costing.

QUESTION FOUR

- a. Distinguish between apportionment of overhead and absorption of overhead
b. Consider the following budget and actual performance of a production line in a firm.

	Budgeted	Actual
Overhead	₦150,000	₦182,000
Direct labour hour	10,000	11,000
Direct material cost	₦45,000	₦50,000
Unit produced	1000	1200

You are required to :

Calculate the following overhead absorption rate

- Direct labour hour
 - Direct material cost
 - Unit of output
- c. Determine the amount of over or under absorption of overhead under the three overhead absorption rates calculated in (b)

QUESTION FIVE

- a. Briefly explain the following store documents
- Purchase requisition
 - Goods received note
 - Material requisition
 - Bin card
- b. Outline **five** advantages and **two** disadvantages of operating central stores.