Date.. Index Number... Signature......................................

CHRISTIAN SERVICE UNIVERSITY COLLEGE
KUMASI
DEPARTMENT OFACCOUNTING AND FINANCE
BACHELOR OF BUSINESS ADMINISTRATION
End of Second Semester Examination, 2018/2019 Academic Year

Level 300

CSBA 374: COST ACCOUNTING 2

May 25, 2019 **Time: 3Hours:**

[100 MARKS]

INSTRUCTIONS TO CANDIDATES:

- THERE ARE **NINE (9)** QUESTIONS IN ALL
- ATTEMPT **SEVEN (7)** QUESTIONS IN ALL,
- YOU ARE TO ANSWER ALL THE QUESTIONS IN SECTION A, AND **THREE(3)** QUESTIONS IN SECTION B
- ***Write your index number and also sign on all the leaflets on the question paper.***

Section A

This Section is Compulsory Section.

It Contains Four (4) Questions, Which Are All To Be Answered

Question one (1)

Mr.Yin-womya is the managing director of Bolgatanga Meat Factory; **The Proteins Solution Limited** was confused at a management meeting when the management accountant brought the issue of budgeting and standard costing. According to Mr.Yin-womya both techniques are estimates and forecast and future focus. Mr.Yin-womya therefore wonders if they are the same or have differences.

Required

How can you be of help to Mr.Yin-womya? **(10marks)**

Question two (2)

A newly formed paint manufacturing company in Tongo, in the upper east region by name **"First impression, your house outlook,"** received a suggestion from their financial consultant/adviser to consider employing a management accountant in the organization. The board director chairman is therefore wondering what at all the management accountant can offer to their organization.

Required

List and explain with specific reference to key functions of such an organization, **five (5),** roles the management accountant would perform? **(10marks)**

Question three (3)

Differences between traditional budgeting and zero base budgeting **(4marks)**

Discuss briefly **three (3)** arguments put forward for the use of absorption and marginal costing systems respectively. **(6marks)**

Question four (4)

The managing of Yinzor Limited is worried about periodic reports of material usage variance and seeks your opinion on the issue of variance.

Required

Briefly list and explain five (5) possible causes and suggest possible means of reducing such the wide variances **(10marks)**

Section B
This Section Contains Five (5) Questions of Equal Marks
You Are To Attempt
Three (3) Questions

Question 1

Daboug Co. Ltd. is a manufacturer of glass bottles which has been affected by competition from plastic bottles and currently operating below capacity. The data below relate to Daboug Co. Ltd. which makes and sells one product (glass bottles):

	January (Units)	February (Units)	March (Units)
Sales	5,000	7,000	4,000
Production	9,000	3,000	4,000
	GH¢	**GH¢**	**GH¢**
Selling price per Unit	100	100	100
Fixed production overhead incurred	120,000	120,000	120,000
Selling & Distribution cost (fixed)	50,000	50,000	50,000
Variable production cost per Unit	60	60	60
Fixed production overhead cost per unit, being the predetermined overhead absorption rate	15	15	15

(a) Prepare comparative profit statements for each month using:

(i) Absorption costing

(ii) Marginal costing **(20 marks)**

Question 2

The sales turnover and profit during two periods were as follows:

Period	Sales cedis	Profit
2017	20	2
2018	30	4

Calculate

i. P/V ratio

ii. The sales required to earn a profit of cedis 500,000

iii. Profit when sale are 2500,000

iv. Fixed expenses

v. Break even sales **(20 marks)**

Question 3

Chris. Limited manufactures and sells three products, X, Y and Z. The budgeted sales demand, unit selling prices and unit variable costs for the three products are as follows:

	Product X		Product Y		Product Z	
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Unit selling price		16		18		14
Unit material cost	8		6		2	
Unit labour cost	4	12	6	12	9	11
Unit contribution		4		6		3
Budgeted sales demand	550 units		500 units		400 units	

The following information is also available

i. The company has existing stock of 250 units of product X and 200 units of products Z, which it is willing to use up, to meet sales demand.

ii. All three products use the same direct materials and the same type of direct labour.

iii. In the next year, the available supply of materials will be restricted to GH¢ 4,800 (at cost) and the available supply of labour will be restricted to GH¢ 6,600 (at cost).

iv. Fixed cost is estimated to be GH¢ 4000 per annum.

Required

Determine the production and sales mix that would maximize the company's profit in the next year and calculate that maximum profit. **(20marks)**

Question 4

The TINDONGO Company produces a single product. The company operates a standard costing system and during the year 2018 during the 2018 the following details were recorded:

Budgeted production	1,000
Actual production	1,100

The details on the standard cost of production were

	Per unit GH¢
Direct material(20kg0@ GH¢2	40
Direct labour(10hours)@ GH¢6	60
Overheads(8hours)@ GH¢3	24
Total standard cost	124
Standard profit	26
Standard selling price	150

During the year, the following details were also recorded:

Purchase of materials (22,000kg)	GH¢55,000
Direct wages (9,500hours)	GH¢47,500
Materials issued to productions (kg)	19,000

You are required to calculate

i. Material price variance
ii. Material usage variance
iii. Material cost variance
iv. labour rate variance
v. labour Efficiency variance
vi. labour cost variance **(20marks)**

Question 5

The projected purchase and sales of MINA Limited for the next half of 2018 are given below:

	Sales	Purchases
	GH¢	GH¢
July	180,000	120,000
August	200,000	150,000
September	140,000	100,000
October	290,000	200,000
November	230,000	180,000
December	360,000	250,000

Other information is as follows:

1. The company has three bills payable of GH¢100,000, GH¢150,000 and GH¢90,000, which are to be paid in July, September and October respectively.
2. Fixed Assets will be bought in August and October at GH¢200,000 and GH¢300,000 respectively.
3. The company pays 50% of trade creditors in the month of purchases, 25% in the second month and 20% in the third month, the remaining 5% being cash discount.
4. The cashbook balance at the end of August is expected to be GH¢25,990
5. Operating expenses are GH¢35,000 per month and are paid for when they are incurred.
6. The minimum monthly cash balance required should be GH¢10,000 and funds can be borrowed in multiples of GH¢10,000 to make up for any deficiency from the bank.
7. The company expects to receive dividends from investments of GH¢150,000 and GH¢200,000 respectively in August and September.
8. Credit customers are usually allowed 2½% cash discount on the if payment is made promptly, 1% cash discount on the 15th day after sale and no discount in 30 days' time. A penalty of 5% is payable on all debts due and unpaid after the end of the first month. Usually, 60% of sales are paid promptly, 20% within 15 days on sale, 15% by 30 day's time and the remainder in the second month after sale.