



CHRISTIAN SERVICE UNIVERSITY COLLEGE
KUMASI, GHANA
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE
BACHELOR OF SCIENCE IN ACCOUNTING
END OF FIRST SEMESTER EXAMINATIONS – 2021/2022 ACADEMIC YEAR

LEVEL 300

CSBA 373: COST ACCOUNTING

JANUARY 2022

(120 Marks) Time Allowed: 3 Hours

GENERAL INSTRUCTION TO CANDIDATES:

Questions in this Sections are to be answered in the answer booklet provided.

Answer 4 Questions out of the 5 Questions. (Kindly keep in mind that marks will be awarded for clarity of work)

- GOOD LUCK -

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Examiner: Ernest Obeng

QUESTION ONE

- a) **SiR ERNEO Company limited, a new company that is yet to start operation is contemplating whether to set up a separate Cost Accounting Department or fused it into the General Accounting Department. The Managing Director of the company contacted you for advice. As Cost Accounting Consultant you are required to:**

- i. Outline and briefly explain **3 Objectives** of a Cost accounting Department to the Managing Director **(6 marks)**
- ii. State **2 Differences** between Cost Control and Reduction to the Managing Director. **(3 marks)**

- b) **AMALA Company Limited reports the following for the month of June:**

Date	Explanation	Units	Unit Cost	Total Cost
June 1	Opening Inventory	120	GHS 5	GHS 600.00
June 12	Purchases	370	GHS 6	GHS 2,220.00
June 23	Purchases	200	GHS 7	GHS 1,400.00
June 30	Sales	230	GHS 8	GHS 1,800.00

Compute the cost of closing inventory and the cost of goods sold under **(21marks)**

- i. **First In First Out Method (FIFO) (7marks)**
- ii. **Last in First Out Method (LIFO) (7marks)**
- iii. **Weighted Average Cost Method (WAC) (7marks)**

QUESTION TWO

- a) **QUEEN Company Limited is having difficulties classifying their costs according to its common characteristics. Their Managing Director contacted you as a Cost Accounting Consultant to help them out. You are required to**

- i. Outline and briefly explain cost classification by behavior **(6 marks)**
- ii. Outline and briefly explain cost classification by nature **(4 marks)**

- b) **Ghana National Gas Company is a gas processing company and has its plant located in Atuabo in Western Region. The Plant produces three gas products – Lean Gas (LG), Liquefied Petroleum Gas (LPG) and Natural Gas Condensate (NGC).**

The standard time for the production of the products are: LG - 40 minutes per metric tonne, LPG - 30 minutes per metric tonne, NGC – 45 minutes per metric tonne.

The budget for the month of February is as follows: LG – 45,000 metric tonnes, LPG – 25,000 metric tonnes, NGC – 30,000 metric tonnes.

The actual data for the month were as follows: Labour hours 70,000 hours Production: LG – 48,000 metric tonnes, LPG – 27,000 metric tonnes, NGC– 25,000 metric tonnes.

You are required to compute

- i) The efficiency ratio (3 marks)
- ii) The capacity ratio (3 marks)
- iii) The production volume or activity ratio (4 marks)

c) **RIQUASH Company Limited** provide you with the relevant monthly data given below:

Normal Usage	200 units
Minimum Usage	100 units
Maximum Usage	300 units
Re-order Quantity	750 units
Re-order period (in month)	2 to 3

Calculate for the

- 1. Re-order Stock level (3 marks)
- 2. Minimum Stock Level (3 marks)
- 3. Maximum Stock Level (4 marks)

QUESTION THREE

a) **The Managing Director of JUDEE COMPANY LIMITED** is worried about the high rate of Labour turnover in the company and are looking for ways to avert the situation. They contacted you to help them identify the cause of the high labour turnover and suggest ways to resolve them. As a cost accounting expert, you are required to:

- i. **Outline Three (3) avoidable and Three (3) unavoidable causes of Labour turnover (6marks)**
- ii. **State Three (3) ways of reducing high rate of Labour turnover (3 marks)**

b) Qwame Eugene Ltd manufactures plastic containers for the pharmaceutical industry. The factory, in which the company undertakes all its production has two production departments namely: Cutting and Shaping and two service departments- Stores and Maintenance.

The information below was extracted from the company's budget for its financial year ended 31 March 2019.

Allocated Overhead Costs	GH¢
Cutting Department (Cutting)	14,000
Shaping Department (Shaping)	16,000
Stores Department (Stores)	3,500
Maintenance Department (Maintenance)	2,800

Other Production Overheads	GH¢
Factory rent	525,000
Factory building insurance	70,000
Plant & machinery insurance	39,000
Plant & machinery depreciation	58,500
Canteen subsidy	150,000
Direct Costs GH¢ Cutting Department	144,000
Shaping Department	210,000

The following additional information is also provided:

	Cutting	Shaping	Stores	Maintenance
Floor area (square meters)	18,000	12,000	3,000	2,000
Value of Plant & Machinery	300,000	50,000	25,000	15,000
Number of Stores requisitions	1,000	500	-	-
Maintenance Hours required	2,700	2,000	300	-
Number of Employees	34	60	4	2
Machine Hours	12,000	2,200	-	-
Labour Hour	9,000	15,000	-	-

You are required to:

- Prepare an overhead analysis sheet based on the above information. You must clearly state the basis used for any apportionments. (8 marks)
- Re-apportion the service department costs and calculate the most appropriate overhead rate for each department. (Rate should be calculated to two decimal places). (3 marks)

c) The following are figures relating to the Cost Centre of COKER Limited.
(10marks)

	GHS
Total Overhead for the period	24,000.00
Total Direct labour Hours	3,200.00
Total Direct Wages	6,400.00
Total Direct Material Used	12,000.00
Total Machine Hours	4,800.00
Total Units produced	180.00

You are required to calculate the

- Direct Labour Hour Overhead Absorption Rate
- Direct Wages Overheads Absorption Rate
- Direct Materials Overheads Absorption Rate
- Prime Cost Overheads Absorption Rate
- Machine Hour Overheads Absorption Rate

QUESTION FOUR

- a) Differentiate between the following
- i. **Piece Rate Wage Payment System** and **Time Rate Wage Payment System** (4marks)
 - ii. **Overhead Allocation** and **Overheads Apportionment** (4marks)
 - iii. Outline the Overheads Accounting Processes (2marks)
- b) A company has its factories at two locations. Rowan plan is in use at location A and Halsey plan at location B. Standard time and basic rate of wages are same for a job which is similar and is carried out on similar machinery. Time allotted is 60 hours. Job at location A is completed in 36 hours while at B, it has taken 48 hours. Conversion costs at respective places are GHS 1224.00 and GHS1500.00. Overheads account for GHS 20 per hour

Required:

- i. To find out the normal wage rate and, (10marks)
- ii. To compare the respective conversion cost. (10marks)

QUESTION FIVE

- a) Differentiate Between the Following
- i. Idle time and Overtime (4marks)
 - ii. Individual Bonus Scheme and Group Bonus Scheme (4marks)
 - iii. Reciprocal and Non- Reciprocal Method of Overhead re-apportionment (4marks)

- b) The summary of overheads for the three production departments and two service departments of a company have been provided below.

Department	A	B	C	S1	S2
Overheads (GH¢)	20,000	15,000	25,000	18,000	12,000

The service departmental costs are apportioned as follows

	A	B	C	S1	S2
S1	25%	30%	35%	-	10%
S2	30%	30%	25%	15%	-

Required: Apportion the service centre costs and determine the total production departments' overheads after the apportionment.

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- c) Job No. 256 passes through departments: X, Y and Z. The following information is given regarding this job:

	DEPARTMENTS		
	X	Y	Z
Direct Materials issued to job	GHS 8000	GHS 1,000	GHS 500
Direct Labour hours for job	1,000	2,000	5,000
Rate of direct labour per hour	GHS1.00	GHS1.50	GHS2.00
Sale of scrap materials arising from job	GHS 1,000	GHS 150	GHS 100
Total Overhead for the departments	GHS 10,000	GHS 15,000	GHS 25,000
Total Labour hours for the departments	10,000	30,000	40,000

You are required to calculate the cost of Job No. 256 from the above information. (10 marks)