



CRAWFORD UNIVERSITY

FAITH CITY, IGBESA

TITLE OF EXAMINATION : B.Sc EXAMINATION.
COLLEGE: COLLEGE OF BUSINESS AND SOCIAL SCIENCES
DEPARTMENT: ACCOUNTING AND FINANCE
SESSION : 2021/22 **SEMESTER: HARMATTAN**
COURSE: COST ACCOUNTING.
COURSE CODE: ACC 203 **CREDIT: 3 UNITS**
TIME ALLOWED:
INSTRUCTIONS: (i) Answer question one and any other three(3).
(ii) Time allowed: 2 hours 30 minutes

QUESTION ONE.

Mr Smart decided on July,1 to invest his insurance compensation of ₦2,000,000 in retail business to buy and sell second hand clothing. The following transactions took place from that month to December.

Date	Purchase quantity	Costs (₦)	Sales quantity
July 5	100	360,000	
Aug 1	200	760,000	
Aug 2			250
Sept 3	300	1,200,000	
Oct 4	200	700,000	
Oct 12			300
Oct 28	250	700,000	
Dec 7			200
Dec 12	200	600,000	
Dec 17			250
Dec 22	150	480,000	

Calculate the cost of second hand clothing during the period and the value of clothing on hand on 31st of December using the following methods of pricing:

- i. FIFO 7.5mks
 - ii. LIFO 7.5mks
- (15MARKS)**

QUESTION TWO

- a. What is a batch? 2mks
- b. When is batch costing used? 6mks
- c. Batch No X200 incurred the following costs:
 - Dept A : 840 labour hours @ ₦7.00
 - B : 1372 labour hours @ ₦6.00
 - C : 1801 labour hours @ ₦8.50

Factory overheads are absorbed on labour hours and the rates are ₦16 per hour for Dept A, ₦10 per hour for Dept B and ₦12 per hour for Dept C. The firm uses a cost plus system for setting

prices and expects a 15% gross profit (Sales-Total cost). Administration overheads are absorbed as 10% selling price. Assuming 2,500 units were produced in Batch X200. Calculate the selling price per unit.

7mks
(15MARKS)

QUESTION THREE

- a. Define job costing. 3mks
- b. The following information relates to Job 9, which is being carried out by Emeka to meet a customer's order.

	Dept A	Dept B
Direct material used	N10,000	N6,000
Direct labour hours	800 hours	400 hours
Direct labour rate/hr	N4	N5
Production overhead per direct labour hour	N4	N4
Admin & other overhead	20% of full production cost.	
Profit margin	25% of sales price	

Required: calculate the selling price of Job 9.

12mks
(15MARKS)

QUESTION FOUR

- a. Define cost estimation 2mks
- b. List and explain two methods of cost estimation. 6mks
- c. A company has recorded the following data for a semi-variable cost

Month	Activity level(Units)	Cost incurred(N)
1	1,800	36,600
2	2,450	41,150
3	2,100	38,700
4	2,000	38,000
5	1,750	36,250
6	1,950	37,650

Required :

- i. Estimate the cost equation. 5mks
- ii. Estimate the cost that will be incurred in month 7 when 2,400 units are projected to be produced. 2mks

(15MARKS)

QUESTION FIVE

Cost Accounting is difficult imports and sells printers for which there is uncertainty in annual demand. The annual demand can be represented by the following probability distribution.

Demand(units)	Probability
20,000	0.1
40,000	0.3
55,000	0.4
70,000	0.2

It costs N1,250 per order and the holding cost per unit per annum is N20. A safety stock of 750 units is desired and the purchase lead time is five (5) working days. Assume 200 working day year.

Required:

- a. Total relevant costs 9mks
- b. Compute re-order level. 6mks

(15MARKS)

QUESTION SIX

- a. Briefly describe what Activity based costing entails. 4mks
- b. Yellow produces two products A & B using similar equipment and methods. Data for the last period are

	A	B
Production (units)	12,000	16,000
Labour hours per unit	2	4
Machine hours per unit	8	4
Set-up in period	30	90
Orders handled in the period	24	120
Overhead per period		N
Relating to production set-ups		358,000
Relating to order handling		60,000
Relating to machine activity		<u>110,000</u>
		<u>528,000</u>

Required: calculate the overheads to be absorbed per unit of each product based on an Activity Based Costing approach using suitable cost drivers.

11mks

(15MARKS)