

Q1. I) C II) C III) C

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Or i) Depreciation of machinery

ii) Sharing

iii) providing information to management for decision making

Q2. The three (3) elements of cost are:

- Direct material

- Direct labour

- Overheads

Or

material

Labour

Expenses

Or

All direct cost

Over heads

Or

Prime cost

Factory overhead

period cost

Or

Direct cost

Indirect cost

Q3. Cost Unit: refers to a unit of quantity of product, service or time to which costs may be expressed or ascertained.
→ Cost Unit: is a quantitative measure of goods or service for where cost are ascertained.

→ Cost Unit: is a unit of measurement of costs or refer to a unit of quantity of produce.

Examples of cost unit are:

- a meter of cloth

- a liter of milk

- a kilo of Sugar

- a patient bed

- a passenger seat

- labour hour (wage rate)

- a consulting hour

- a kilowatt-hour

- a kilometer travelling

- etc.

Q.4.

Leather used to make a baseball glove	P.C
wages of assembly line employees	P.C & C.C
Ink used to print a player's autograph on a baseball glove.	C.C

Q5. Computation of prime cost and factory cost

$$\begin{aligned} \text{Direct materials} &= 10,000 \times 1,500 = 15,000,000 \\ + \text{Direct labour} &= 12,000 \text{ hrs} \times 2,500 \text{ rupees} = 30,000,000 \\ \hline &= \text{a) Prime cost} && 45,000,000 \text{ rupees} \\ \text{Add factory overheads} &&& 12,00,000 \text{ rupees} \\ \hline &= \text{b) Factory cost} && 46,200,000 \text{ rupees} \end{aligned}$$

OR prime cost $(1,500 \times 10,000) + (2,500 + 12,000) = 45,000,000 \text{ rupees}$

Factory cost = prime cost + factory overheads

= $45,000,000 + 1,200,000 = 46,200,000 \text{ Fms}$

OR - prime cost = 45,000,000 Fms

Factory overheads = 46,200,000 Fms

Q6. Objectives of Cost Accounting

- cost ascertainment = refers to determination and calculation of cost of a product a process or operation.

- cost control: Is the practice of reducing business expenses or minimizing expenses.

- Decision making: cost accounting provides necessary information to the management for making a decision.

- planning: the management prepares plans for the expansion of business activities.

- Setting selling prices = the cost data are used to help to set a selling price of a product or service.

- measuring efficiency: cost data are used to measure the efficiency of an organization.

Evaluation of profitability: the profitability information ~~serves~~ serves as guide to the management to make some strategic decisions regarding the introduction of a new product and increasing the volume of production.

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- Disclosure of wastes: cost accounting is an important aid to disclosure wastes for preventing wastage of raw materials or idle labour time (each element of objective explained Carried 3 mark).

Q7. preparation of cost budget for the first quarter.

Rent per quarter	_____	→ 30,000 Frw
Insurance per quarter $\frac{15,000 \times 3}{12}$	_____	→ 3750 Frw
material per quarter: $Fr 500 \times 500$	_____	→ 250,000 Frw
manager's allowance per quarter 15000×3	_____	→ 45,000 Frw
wage for cleaners per quarter (2500×3)	_____	→ 15,000 Frw
wage for tailors 250×500	_____	→ 125,000 Frw
other overheads = $10,000 + (150 \times 500)$	_____	→ 85,000 Frw
cost of budget for 1 st quarter		<u>553,750 Frw</u>

Other answer

Rent per quarter	_____	→ 30,000 Frw
Insurance per quarter $\frac{15,000 \times 3}{12}$	_____	→ 3750 Frw
material per quarter Frw 500×500	_____	→ 250,000 Frw
wage for cleaners per quarter (2500×3)	_____	→ 7500 Frw
manager's allowance per quarter (500×3)	_____	→ 45,000 Frw
wage for tailors $250 \text{ Frw} \times 500 \text{ units}$	_____	→ 125,000 Frw
Other overhead, $10,000 \text{ Frw} + (150 \times 500 \text{ Frw})$	_____	→ 85,000 Frw
cost budget for 1 st quarter		<u>546,250 Frw</u>

Q8.

paper used in the magazine
 Staples used to bind magazine
 maintenance on printing machines
 wage of printing machine employees
 glue used to bind magazine

Direct material
 Factory overhead
 Factory overhead
 Direct labour
 Factory overhead

Q9. Opening Inventory of material 350,000 Fmw
 + Add material purchased 860,000
 = Cost of material available for use 1210,000 Fmw
 - Less closing Inventory of material 300,000 Fmw
 = total of cost of direct material used in X° = 910,000 Fmw

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Alternative

Direct material used = $(350,000 + 860,000) - 300,000 = 910,000$ Fmw

Q10.

Concept	Definition
Fixed ^{Period} cost	cost that can be more easily attributed to time intervals
Indirect costs	cost that can not be directly related to a cost object.
Fixed cost	costs that do not vary with the volume of activity
Direct cost	cost that can be directly related to a cost object
Cost	A sacrifice of resources.
Product cost	costs that are part of inventory

Q11.

Four benefits to organization of using Computerized system are:

- It provides timely information
- It provides Accurate / exact information
- It provides up to date information
- It avoids clerical errors
- It provides high speed and mobility of reporting
- It facilitates recording transactions
- Staff are well motivated (less time spent on computing reports)
- Ability for taxes to be computed automatically

Q 2. Disadvantages of Using computers are :-
1st Alternative

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- The computer need electricity
- High installation and maintenance cost
- It requires skilled persons
- High purchase cost
- Loss of data due to the attack of viruses

True answer

'High cost' cost for installation maintenance and other equipment needed are expensive.

Hackers > the outsiders or other person can deviate your information or message.

Loss of data: you can loose your data due to viruses

power and electricity: In case of power failure you can't do anything with computer

illness: when you spent much time using computer, you can be a victim from headache and other illness.

SECTION II

B. Calculation of the cost of manufacturing 100 guitars.

Cost of woods and other materials $2300 \times 100 = 230,000$ FRW

Direct Labour cost $= 3500 \times 100$ $\rightarrow 350,000$ FRW

Prime cost

$580,000$ FRW

Add variable factory overheads $850 \times 100 \rightarrow 85,000$

Fixed factory overheads $\rightarrow 150,000$ FRW

Total manufacturing cost for 100 guitars. $= 815,000$ FRW

Alternative

Total manufacturing cost $(2300 \times 100) + (3500 \times 100) + (850 \times 100) + 150,000$
 $= 815,000$ FRW,

or total manufacturing cost $= 815,000$ FRW

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cost of woods and other materials	220,000 Fw
Direct labour cost	370,000 Fw
variable factory over heads	85,000 Fw
<u>total variable cost</u>	<u>665,000 Fw</u>
Add fixed cost	150,000 Fw
<u>total manufacturing cost of 100 guitar =</u>	<u>815,000 Fw</u>

Q4. Calculation of cost of goods manufactured

cost of direct material used in production	215,000 Fw
Add Direct labour	185,000 Fw
<u>Prime cost</u>	<u>400,000 Fw</u>
Add total factory overhead	130,000 Fw
<u>Factory cost</u>	<u>530,000 Fw</u>
Add opening stock of WIP Inventory	85,000 Fw
less Closing WIP Inventory	<u>(94,000 Fw)</u>
<u>cost of goods manufactured</u>	<u>521,000 Fw</u>

Q15. The following is a list of cost that were incurred in producing a text book.

a. Insurance on the factory building and equipment	Product cost	Factory overhead
b. Salary of vice president of finance	Period cost	Adm. expense
c. hourly wages of printing press operators during production	Product cost	Direct labour
d. Straight-line depreciation on the printing presser used to manufacture the book	Product cost	Factory overhead
e. Electricity used to run the presser during the printing of the book	Product cost	Factory overhead
f. Sales commissions paid to text book representatives for each text sold	Period cost	Selling expense
g. Paper on which the text is printed	Product cost	Factory overhead
h. book covers used to bind the pages	Product cost	Factory overhead
i. Straight-line depreciation on an office building	Period cost	Adm. expense

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J. Salaries of staff used to develop art work for the book	Product cost	Direct labour
K. Glue used to bind pages to cover	Product cost	Factory overhead

Q.6. Calculation of the value of goods sold and sales

Total cost of production	→	3,105,000 FWD
Add opening stock of finished goods	→	145,600 FWD
Cost of goods sold available for use	→	3,250,600 FWD
Less closing stock of finished goods	→	(102,100) FWD
Cost of goods sold	→	3,148,500 FWD
Add selling and distribution overhead	→	343,055 FWD
Cost of sales (T.C)		3,491,555 FWD
Add profit		1,807,360 FWD
Sales		<u>5,298,915 FWD</u>

Alternatives

- a. Cost of goods sold = $3,105,000 + 145,600 - 102,100 = 3,148,500$
- b. Sales = Total cost + Profit
 $= 3,148,500 + 343,055 + 1,807,360 = 5,298,915$

Q.7. Explain the following concepts:

(i) maximum stock level: this is the level beyond which stock should not be allowed to rise

$$\text{Max. SL} = (\text{min. SL} + R.A) + (\text{min. C} \times \text{min. RP})$$

(ii) order level (order point) this is the point which represent the quantity of materials or goods at which a new order is placed to suppliers

$$O.L = \text{Max. C} \times \text{Max. RP}$$

(iii) minimum stock level: it is the level below which stock should not be allowed to fall this level is also called "Buffer stock"

Or $\boxed{\text{Min SL} = \text{RL} = (\text{NC} \times \text{NRP})}$

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176. Determine the amount of missing items, identifying them by letter.

Work in Progress November 1	16,000	36,000	e) $\boxed{7,000}$
total manufacturing cost incurred in Nov	112,000	e) $\boxed{174,000}$	42,000
Total manufacturing costs	a) $\boxed{128,000}$	210,000	49,000
less: work in progress inventory Nov. 30	24,000	48,000	f) $\boxed{16,000}$
cost of goods manufactured	b) $\boxed{104,000}$	d) $\boxed{162,000}$	43,000

Working

$a = 16,000 + 112,000 = 128,000 \text{ Frw}$
 $b = a - 24,000 \rightarrow b = 128,000 - 24,000 = 104,000 \text{ Frw}$
 $c = 210,000 - 36,000 = 174,000 \text{ Frw}$
 $d = 210,000 - 48,000 = 162,000 \text{ Frw}$
 $e = 49,000 - 42,000 = 7,000 \text{ Frw}$
 $f = 49,000 - 43,000 = 6,000 \text{ Frw}$

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18. Statement of cost of goods manufactured

	Rw.
Opening stock of raw materials	65,000
Add material purchased	100,000
less closing stock of raw materials	(35,000)
or cost of direct material used	130,000
Add direct labour	110,000
Prime cost	240,000
Add Factory overheads	
Indirect labour	24,000
Depreciation of Factory equipment	10,000
Factory supplies and utility cost	10,000
Factory cost	284,000
Add opening stock of WIP	30,000
less closing stock of WIP	(24,000)
Production cost (cost of goods manufactured)	290,000
Add opening stock of finished goods	60,000
less closing stock of finished goods	(62,500)
Cost of goods sold	287,500
Add selling expenses	20,000
Administrative expenses	15,000
Cost of sales (T.C)	322,500
Profit	43,500
Sales	366,000

9. Difference between cost accounting and financial accounting

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Cost Accounting	Financial Accounting
Provide information to internal users	Provide information to both internal and external users
concerned with ascertainment of costs	concerned with analysis, interpretation and recording of transactions in books of account
It provides adequate data for price fixation	Financial Accounting does not
reports are prepared frequently when required	Reports are prepared annually or semi-annually
Information relates to both past and future events	Information related only to past events
Transactions are valued in both monetary and non-monetary terms	Transactions are valued in monetary terms only
produces special purpose statements and reports	produces general purpose financial statements
must conform to information needs by management	must conform to GAAP
It is not a legal requirement	It is a legal requirement

20. a/

Elements	Qty	Unit price	Purchase Value
Office tables	30	250,000	7,500,000
Office chairs	350	210,000	73,500,000
mobile telephone	75	185,000	13,875,000
i. total value			108,875,000 Pkr
less discount of 3% of 108,875,000			(3,266,250)
ii. total cost to be paid after discount			<u>105,608,750 Pkr</u>

b. Two examples of Accounting Software are =

- Sage line 30, 50, 100, 500 and 1000
- SAGE POSTEL
- Oracle Financials
- Quick books
- Tally.

