**NATIONAL OPEN UNIVERSITY OF NIGERIA**

 **PLOT 91 CADASTRAL ZONE NNAMDIAZIKIWE EXPRESS WAY, JABI-ABUJA**

**FACULTY OF MANAGEMENT SCIENCES**

**DEPARTMENT OF FINANCIAL STUDIES**

**NOVEMBER 2018 EXAMINATION**

**COURSE CODE: ACC306 CREDIT UNIT: 3**

**COURSE TITLE: COST ACCOUNTING**

**TIME ALLOWED: 21/2HOURS**

**INSTRUCTIONS:**

1. **Attempt question number one (1) and any other three (3).**
2. **Question number 1 is compulsory and carries 25 marks while the other 3 questions carry 15 marks each. Present all your points in coherent and orderly manner.**

Question 1

Ojomakpene Manufacturing Company Limited has the following information concerning its main product for the year ended 31st December 2017:

Units produced and sold 640,000.

Selling price per unit N56.00

Direct material price per unit N4.40

Direct labour cost per unit N9.00

Variable manufacturing overhead per unit N0.80

Variable selling and administrative expenses per unit N1.20

Fixed manufacturing overhead for the year N1,120,000.00

Fixed selling and administrative expenses for the year N800,000.00

**Requirements:**

Show the net profit using both absorption and marginal costing approach.

 **(25 marks)**

Question 2

(i) Maximum Consumption = 200 units per day

(ii) Minimum Consumption = 120 units per day

(ii) Normal Consumption =160 units per day

(iv) Reorder period = 10-15 days

(v) Reorder quantity = 1,600 units

(vi) Normal reorder period = 10 days.

**Requirements**

1. From the above information, calculate minimum stock level, maximum stock level and re-ordering level (10 Marks)

b) Define:i) Cost drivers

ii) Profit centre

iii) Controllable Profit (5 marks)

Question 3

Why is Activity Based Costing (ABC) preferable to Traditional Costing? What makes it unacceptable? (15 marks)

Question 4

What do you understand by cost allocation and cost apportionment? On what basis will the following costs be apportioned? Rates; Heating; Welfare; Insurance; and Material. (15 marks)

Question.5

List the methods of ascertaining actual costs and explain them. (15 marks)

Question 6

What is Perpetual Inventory System and what are its advantages?