



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
2019_2 EXAMINATION

COURSE CODE: ACC306 **CREDIT UNIT: 3**
COURSE TITLE: COST ACCOUNTING
TIME ALLOWED: 2 ½ HOURS
INSTRUCTIONS: 1. Attempt question number one (1) and any other three
2. Question number 1 is compulsory and carries 25 marks, while the other questions carry 15 marks each
3. Present all your points in coherent and orderly manner

Question 1

- a) Describe the prime purpose of a cost statement. What rules should be borne in mind in its preparation? **(7 marks)**
- b) Explain the term “Integrated accounting.” Identify advantages inherent in it compared to other systems of cost and financial accounting? **(6 marks)**
- c) Our Company manufactures material for adult dresses. Below is the company account for the year ended 31st December, 2017:

**Manufacturing and Income Statement
for the Year 31st December, 2017**

	N		N
Raw Material consumed	20,000	Manufacturing cost	
Wages direct	30,000	of 11,000 units of	
Prime cost	50,000	product transferred	
Factory overhead		to stock	
Expenses	16,000		66,000
	66,000		66,000
Balance brought forward		Sales	
5,000 unit at N6	30,000	10,000 Units at N10	100,000
Transfer from			
Manufacturing account			
11,000 units @N6	66,000		
	96,000		
Less closing stock			
6,000 @ N6	36,000		

	60,000		
Gross profit c/d	40,000		
	100,000		100,000
Administration	N		N
Expenses (detailed)	10,000	Gross profit b/d	40,000
Selling expenses			
(detailed)	6,000		
Distribution expenses			
(detailed)	4,000		
Net profit	20,000		
	<u>40,000</u>		<u>40,000</u>

You are required to show the same figures but using the layout and nomenclature commonly adopted by cost accountants. **(12 marks)**

Question 2

The materials analysis of Island Company has forecasted the following data in respect of Material ABC 11CC:

Maximum consumption of material per week:	800 units
Normal consumption of material per week:	600 units
Minimum consumption of material per week:	400 units
Reorder quantity:	4,000 units
Reorder period	6-8 weeks

From the information above, you are required to calculate and briefly explain them:

- i) Reorder level (5 marks)**
- ii) Maximum stock level (5 marks)**
- iii) Maximum stock level (5 marks)**

Question 3

Out of various methods of valuing materials issues to production processes, identify seven methods and briefly explain any four (4). **(15 marks)**

Question 4

a) Explain when the method of payment by flat time-wages be suitable to adopt. **(4 marks)**

b) Briefly discuss the three major elements of manufacturing costs:

- i) Direct materials (4marks)**
- ii) Direct cost (4 marks)**
- iii) Factory overhead (3 marks)**

Question 5

Briefly discuss the following costing methods:

- a) Job costing
- b) Batch costing
- c) Contract costing and
- d) Process costing

(15 marks)

Question 6

- a) Briefly explain Activity based costing (ABC) and outline four of its merits. **(9 marks)**
- b) Differentiate profit centres from investment centres. **(6 marks)**