



BOWEN UNIVERSITY, IWO
(OF THE NIGERIAN BAPTIST CONVENTION)
COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES (COMSS)
ACCOUNTING PROGRAMME
B.Sc. ACCOUNTING DEGREE
2023/2024 SECOND SEMESTER EXAMINATION

COURSE CODE: BUI-ACC 104

COURSE TITLE: BASIC COST ACCOUNTING

TIME: 2 HOURS

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION 1

A. Enumerate the differences, if any, between financial and cost accounting **8 marks**

B. The Managing Director of a manufacturing concern once said, “ since the main object of our firm is to know the annual profit, there is no need retaining the cost accounting staff; let us pay them off and retain only the financial accounting staff in order to reduce the administrative costs”.

Required: Write a report to the Managing Director to convince him to retain the cost accounting staff. **12 Marks**

C. Discuss each of these costs concept, with examples.

- i. Material cost
- ii. Indirect cost
- iii. Variable cost
- iv. Opportunity cost
- v. Fixed cost

10 Marks

QUESTION 2

A. Discuss the following as it relates to inventory management, bringing out clearly the formulae of their calculation where appropriate.

- i. Free stock balance
- ii. Minimum stock balance
- iii. Maximum stock balance
- iv. Re-order level
- v. Average stock level
- vi. Re-order quantity /economic order quantity

12 Marks

B. Using the following data:

Minimum usage 250 per week
Maximum usage 250 per week

Re-order quantity 30 unit

Delivery is between 4 to 6 weeks

You are required to compute the following:

- i) re-order stock level
- ii) minimum stock level
- iii) maximum stock level
- iv) average stock level

8 Marks

QUESTION 3

A. Explain fully four (4) different types of standard costing system

8 Marks

B. Discuss FOUR main steps in setting up a standard costing system

6 Marks

C. Outline the benefits which a company may derive from a standard costing system

6 Marks

QUESTION 4

A. Explain five (5) objectives of budgeting

5 Marks

B. Briefly explain the following terms as used in budgeting

- i. Budgetary control
- ii. Continuous budget
- iii. Master budget
- iv. Principal budget factor
- v. Functional budget

15 marks

QUESTION 5

A. Explain the differences that exist between the following terms as used in cost accounting:

- (i) Allocation of overheads
- (ii) Apportionment of overheads
- (iii) Absorption of overheads

6 Marks

B.

Production Department

Service Department

	Grinding	Blending	Firing	Polishing	Personnel	Admin	Maintenance
	N000	N000	N000	N000	N000	N000	N000
Indirect labour	4,600	3,300	5,400	2,900	700	1,800	800
Indirect Costs	1,400	1,200	2,800	1,600	500	300	1,200

The service departments' costs are allocated as follows:

	Grinding	Blending	Firing	Polishing	Administration	Maintenance
Personnel (%)	15	25	30	20	5	5
Admin (%)	10	30	40	15	-	5
Maintenance (%)	15	30	40	5	10	-

In the Grinding and Firing departments, an overhead rate per machine hour is used, whereas in the Blending and Polishing Departments, an overhead rate per direct labor hour is used. Machine hours are budgeted as 620 in the Grinding Department and 520 in the Firing Department. Direct labor hours are budgeted as 1,050 in the Blending Department and 450 in the Polishing Department.

Required: Prepare a Statement showing the overheads allotted to each production department using the Elimination method.

14 Marks