

PRINCIPLES OF COST ACCOUNTING

SCHEME OF EXAMINATION

There will be two papers, Papers 1 and 2, both of which will be a composite paper to be taken at one sitting.

PAPER 1: Will consist of fifty multiple-choice objective questions all of which must be answered within 1 hour for of 25 marks.

PAPER 2: Will consist of nine essay-type questions. Candidates will be required to answer five questions within 2 hours for 75 marks.

The paper will consist of two sections as follows:

- Section A: Theory of Principles of Cost Accounting - four questions will be set and candidates will be required to answer two questions for 15 marks each.
- Section B: Practices of Principles of Cost Accounting – five questions will be set and candidates will be required to answer three question for 15 marks each.

SAMPLE QUESTIONS

PAPER 1 **(OBJECTIVE)**

1. An activity for which a separate measurement of cost is required is
 - A. cost unit.

- B. cost centre.
 - C. cost object.
 - D. cost driver.
2. Under a system of interlocking accounts, double entry is completed in the cost ledger through the use of
- A integrated account.
 - B general ledger adjustment account.
 - C overhead adjustment account.
 - D profit and loss account.
3. The value of work done on a contract is specified in the
- A architect certificate.
 - B bank account.
 - C contract sum.
 - D retention certificate.

4. An abnormal gain in process costing results in
 - A. lower overhead costs.
 - B. higher overhead costs.
 - C. products with higher unit cost.
 - D. products with lower unit cost.

5. A graphical representation of the relationship amongst costs, revenue and output is given by
 - A. profit-volume ratio.
 - B. contribution to sales ratio.
 - C. margin of safety.
 - D. break-even chart.

6. Which of the following is a statutory deduction in payroll?
 - A. Health insurance
 - B. Pay As You Earn
 - C. Provident fund
 - D. Staff dues

7. Activities or transactions which are significant determinants of costs are referred to as
 - A. cost centres.
 - B. cost drivers.
 - C. cost pools.
 - D. production units.

8. Cost of work certified will be debited to
 - A. contract account.
 - B. contractee's account
 - C. W.I.P account
 - D. plant and equipment account.

9. The two elements of material cost variance are
- A. price and usage variances.
 - B. rate and efficiency variances
 - C. price and rate variances.
 - D. usage and efficiency variances.
10. The rate at which employees leave and are replaced in an organization is termed as
- A. time bookings.
 - B. idletime.
 - C. labour turnover.
 - D. labour restructuring.
11. The document sent by a supplier stating items he is prepared to sell, their prices and terms of sale is
- A. material requisition note.
 - B. letter of enquiry.
 - C. quotation.
 - D. purchase order.
12. The use of budgets in planning, controlling and co-ordinating activities is referred to as
- A. budgeting.
 - B. budgetary control.
 - C. cost control.
 - D. forecasting.

13. Which of the following cost drivers is an appropriate basis for Material procurement cost?
- A. Number of set ups
 - B. Number of inspections
 - C. Number of orders
 - D. Number of customers
14. Cost of raw cotton used in the manufacture of cloth is
- A. direct cost.
 - B. fixed cost.
 - C. sunk cost.
 - D. unit cost.

PAPER 2

SECTION A: THEORY

1. (a) What is *labour*? (2 marks)
(b) Explain *labour turnover*. (3 marks)
(c) State **five** causes of labour turnover (10 marks)
2. (a) What is *stock control*? (5 marks)
(b) Explain **five** factors that determine the levels of stock to be kept in store by an organization. (10 marks)
3. (a) Explain the *activity based costing model*. (3 marks)
(b) State **four** differences between the *activity based costing* and the *traditional product cost system*. (12 marks)
4. Explain the following types of cost:
 - (a) *Material cost*
 - (b) *Period cost*
 - (c) *Product cost*
 - (d) *Functional cost*
 - (e) *Marginal cost*(15 marks)

SECTION B
[PRACTICE]

5. Adom Ltd has provided the following forecast in respect of usage of material 'G'.

Maximum usage per month	600 units
Normal usage per month	400 units
Re-order quantity	2000 units
Re-order period	3 – 5 months

You are required to calculate:

- (a) Re-order level (4 marks)
 (b) Minimum stock level (4 marks)
 (c) Maximum stock level (4 marks)
 (d) Average stock level (3 marks)
6. From Jan. 2009 to May 2009 R.K Mensah who produces and sells a standard product, managed to maintain a constant selling price per unit and a constant variable cost per unit. The summary of the results for the period is shown below:

Month	Output (units)	Total Cost GH¢	Profit/ Loss GH¢
Jan.	10,000	440,000	(90,000)
Feb.	18,000	600,000	30,000
Mar.	20,000	640,000	60,000
April	15,000	540,000	(15,000)
May	24,000	720,000	120,000

You are required to calculate the:

- (i) Variable cost per unit;
 (ii) Monthly fixed cost;

- (iii) Selling price per unit;
- (iv) Monthly output required in order to break-even; (v) Margin of safety (in percentage) achieved in May.