

This paper consists of two sections, A and B. Answer two questions from Section A and three questions from Section B. You are reminded of the importance of clarity of expression and orderly presentation of relevant material. Calculators may be used but all workings must be shown.

SECTION A
ESSAY

Answer two questions only from this section.

1. (a) What is *relevant cost*? [3 marks]
- (b) Explain the following bases of classifying costs:
(i) function;
(ii) behaviour;
(iii) nature. [6 marks]
- (c) State **three** purposes of cost classification. [6 marks]
2. (a) Explain the term *Economic Order Quantity*. [3 marks]
- (b) State **three** effects on a manufacturing firm if its stock falls below the minimum level. [6 marks]
- (c) State the purpose of the following store documents:
(i) stores issue voucher;
(ii) bin card;
(iii) stock verification sheet. [6 marks]
3. (a) What is *Activity Based Costing*? [3 marks]
- (b) State the difference between *cost drivers* and *cost pools*. [4 marks]
- (c) Identify **four** reasons for which a firm may adopt Activity Based Costing in absorbing overheads. [8 marks]
4. (a) List **three** transactions recorded in Financial Accounts but **not** in Cost Accounts. [3 marks]
- (b) State the double entry treatment of the following transactions in Cost Accounts:
(i) sale of finished products;
(ii) direct expenses incurred;
(iii) over-absorption of production overheads;
(iv) completed goods transferred to warehouse;
(v) materials returned to supplier;
(vi) direct wages allocated to production. [12 marks]

Answer three questions only from this section.

5. The following information relates to *Amofa and Son's Limited*.

	<u>D</u>
Trade exhibitions	2,100
Accounting training programmes	3,710
Depreciation on plant	1,400
Purchase of wood for production	12,000
Computer accessories	1,120
Wages of production workers	4,500
Warehouse repairs	2,100
Hire of special tools	2,500
Carriage of wood	400
Cost of loose tools	1,625
Primary packaging	1,900
Stationery	900
Wages of works foreman	4,000
Cost of patent	3,400
Salaries of delivery van drivers	2,200
Advertisement of finished goods	3,800
Office rent	890
Lubricants for factory machines	1,140

You are required to prepare a cost sheet showing subtotal for:

- (a) prime cost;
- (b) factory overhead;
- (c) cost of production;
- (d) administration overhead;
- (e) selling and distribution overhead;
- (f) total cost.

[15 marks]

6. The following information relates to *Dzidzor Chambers*, a law firm, for the half year ending 30th June, 2023.

	<u>Le</u>
Fee per case handled	2,000
Stationery for the period	3,800
Purchase of laptops for 5 years usage	7,500
Monthly allowance for each clerk	450
Rent per month	2,000
Electricity charges for the period	10,000
Transport cost per month	800

Additional Information

- There are four (4) clerks working in the chambers;
- The scrap value of the laptops at the end of the 5 years usage is estimated at Le 1,500;
- Each client has one (1) case at the court and there are 160 clients.

You are required to:

- (a) prepare an income statement for *Dzidzor chambers* for the half year ending 30th June, 2023;
- (b) calculate the average cost per client.

[15 marks]

7. *Kamara and Sons Limited* makes and sells a single product. The variable cost is D 2.00 per unit and the budgeted fixed cost of the company is D 10,000. The unit selling price is D 3.00. The company budgets to make and sell 30,000 units of the product in the coming year.

You are required to:

- (a) complete the table below:

Output (in units)	Fixed cost D	Variable cost D	Total cost D	Total revenue D
5,000				
10,000				
15,000				
20,000				
25,000				
30,000				

- (b) construct a break even chart using the information in (a) above.

[15 marks]

8. *Ange Amponsah Limited* has three (3) employees on its payroll. Each worker is guaranteed a minimum wage of GH¢ 8,000 per month. Normal hours is 160 hours per month at a rate of GH¢ 50 per hour. Any work done above 160 hours is considered as overtime. Details of hours worked by each employee for the month of May, 2023 is as follows:

Name of employee	Hours worked
Araba	220
Comfort	180
Bright	150

Additional Information:

- Overtime is paid at time and a quarter;
- Each employee contributes 5.5 % and 10 % of basic salary to social security and provident funds respectively;
- Each employee receives a taxable rent allowance of 7 % of the basic salary;
- Araba is to pay a staff loan of GH¢ 500 per month;
- Monthly tax rates are as follows;

	Amount GH¢	Rate
First	2,000	Nil
Above	2,000	10 %

You are required to prepare a:

- (a) schedule to show the gross salary for each employee;
- (b) payroll for Ange Amponsah Limited for the month of May, 2023.

[15 marks]

9. Akamati Company Limited plans to produce 16,000 units of Baga, 4,000 units of Saga and 6,000 units of Taka. The following information relates to the manufacture of the products;

Materials:	<u>X (kg)</u>	<u>Y (kg)</u>	<u>Z (kg)</u>
Opening stock	15,000	10,000	5,000
Closing stock	18,000	2,000	1,000

Materials required for production per unit :

	<u>X (Kg)</u>	<u>Y (Kg)</u>	<u>Z (Kg)</u>
Baga	36	24	12
Saga	20	16	16
Taka	8	10	8

Unit cost	D 2.20	D 1.80	D 1.20
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You are required to prepare:

- (a) materials usage budget;
- (b) materials purchase budget.

END OF ESSAY TEST