

Lead City University, Ibadan
Faculty of Environment, Management & Social Sciences
Department of Accounting & Finance
2017/2018 Academic Session 2nd Semester

COURSE PARTICULARS

COURSE CODE: ACC 213

COURSE TITLE : Introduction to Cost Accounting

NO OF UNITS: 3 UNITS

STATUS: COMPULSORY

LECTURER DETAILS:

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AREA OF SPECIALIZATION: ACCOUNTING AND FINANCE

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AREA OF SPECIALIZATION: ACCOUNTING AND FINANCE

COURSE DESCRIPTION: Introduction to costing is a compulsory course for accounting Students, at 200 levels, carrying 3 units. The course is taught for three hours a week.

Course Description:- the course is to lay a solid foundation for the student future knowledge in Advance costing at the higher level of studies, which will cover various methods of costing in a manufacturing set up for a product, here to prepare budget covering different facets of the economy that is both private and public sectors and in local life situations.

Course Objectives

To examine students

- Mastery of the concepts and principles of Cost Accounting and their applications in pricing decisions and other central matters in public and private sectors.
- Ability to analyse and predict cost behavioural patterns as output and market factors vary and the impact of patterns on profit and loss.
- Ability to apply appropriate methods and techniques in collecting, measuring and reporting cost information relevant to business and other activities.

Teaching Plan

Weeks	Topics
1	- Introduction to Cost Accounting
2	- Scope of Cost Accounting
3	- Cost Classification
4	- Materials control and costing
5	- Quantitative Models for Materials
6	- Accounting for Labour
7	- Accounting for Overheads
8	- Cost Book keeping
9	- Break-even Analysis and Cost-Volume Profit Relationship
10	- Budgeting

Recommended Reading List

ICAN (2009) - Costing and Quantitative Techniques Study packs, UI Publishers, Lagos

Biggs, W. W. - Cost Accounts, Macdonald and Evans

Omolehinwa - Coping with Cost Accounting, Pumane Publishing Ltd., 2nd Ed. 2000

Wheldon, H. J, Oowler, L. W. J. and Brown - Cost Accounting and Costing Methods, Macdonald and Evans

Course Requirements

Attendance	-	10%
Test/Assessment	-	30%
Examination	-	<u>60%</u>
Total	-	<u>100%</u>

SECTION B

1. (a) What is Cost Accounting?
(b) What are the objectives of Cost Accounting?
(c) Enumerate the differences, if any, between financial and cost accounting
2. Cost classification used in costing include:
 - (a) Period costs
 - (b) Product costs
 - (c) Variable costs
 - (d) Opportunity costs
 - (e) Sunk costsRequired: Explain each of these classifications
3. During the month of January, 2018 the following transaction took place in the store of SMITH Limited.

January 2- Balance 500 unit purchased at #10 each

January 6- Received 1,210 unit @#8

January 15- Received 200 unit @#6.20k

January 16- Issued 700 unit

January 23- Issued 400 unit

January 24- Received 200 @ #6

January 27- Issued 600 unit

January 30- Received 100 unit @ #5

January 31- Issued 50 units.

Record the transaction using:

- a. First-in-first-out (FIFO)
 - b. Last-in-first-out (LIFO)
 - c. Weighted Average Method.
- 4 briefly explain the following, bringing out clearly the formulae of calculation where appropriate
- i. Minimum stock level
 - ii. Maximum stock level
 - iii. Re-order level
 - iv. Average stock level
 - v. Re-order quantity/Economic order quantity
5. (a) explain the difference between labour cost accounting and payroll accounting

- (b) List examples of labour turnover cost
- (c) explain seven (7) ways of avoiding or reducing labour turnover.

6. The operating cost of PH limited ,a firm of electronics manufacturers, for the Last Six(6) months are as follows:-

Month	Cost (N'M)	Production Volume ('000)
1	250	15.0
2	260	18.5
3	220	14.5
4	255	15.1
5	258	15.3
6	230	14.8

Required:

- a, Using the high and low method of cost estimation, determine the total fixed cost, variable cost per unit and the cost function.
 - b, What should be the cost in month seven(7) when output is expected to be 13,000 units of electronics.
7. (a) What are the Advantages and Disadvantages of Centralized Store
- (b) What are the Advantages and Disadvantages of Decentralized Store.
- (c) Enumerate the factors that facilitate effective materials cost control
8. The installation of a costing system is a major move in a business. You are required to discuss the problems of installing such a system.
9. One of the board members of Dunu manufacturing company wants to know the Purchasing procedure the company adopts to procure its raw materials.
- (a) as a cost accountant, outline the main purchasing procedures
 - (b) what are the cost associated with the following
 - i. excessive stock holding
 - ii. stock out
10. Apple Ltd. makes wooden crates which are sold to brewers and soft drinks bottling companies. The production work involves three production departments, Sawing, Assembling and Finishing. There are also two service department, Maintenance and Materials Handling.

During the year ended 31st December, 1991, 40,000 crates were made:

	Sawing N	Assembly N	Finishing N
Cost incurred:			
Materials used	800,000	600,000	100,000
Direct Wages	300,000	150,000	250,000
Overheads	120,000	80,000	30,000

Materials handling wages totaled N 21,000

Maintenance wages totaled N 45,000

Consumable stores totaled N 15,000 (maintenance)

The department benefits from the service departments are as follows:

	Sawing	Assembling	Finishing	Materials Handling
Maintenance	30	40	20	10
Materials Handling	50	20	30	

Required:

- (a) Prepare a statement showing the overheads allotted to each production department
- (b) Calculate the unit cost of wooden crate.

11. (a) As a Cost Accountant justify why you need to keep proper records of stock

(b) Critically explain the examples of stock control records below:

(i) The Bin Card

(ii) The Stock Tally Card

(iii) The Stock Ledger Card

12. Critically, classify cost according to:

(a) Behavior

(b) Function

(c) Direct or Indirect

(d) Element of Cost