



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja**  
**FACULTY OF MANAGEMENT SCIENCES**  
**DEPARTMENT OF FINANCIAL STUDIES**  
**JANUARY 2018 EXAMINATION**

**COURSE CODE: ACC 306**

**COURSE UNIT: 3**

**COURSE TITLE: Cost Accounting**

**TIME ALLOWED: 2 ½ Hours**

**Instructions:**

- 1. Attempt question one (1) and any other (3) questions.**
- 2. Question one (1) carries 25 marks, while the other three (3) questions carry 15 marks each.**
- 3. Present all your points in coherent and orderly manner**

**QUESTION 1**

- a. The Department of Budgeting and Forecast in Costal Plc has the following information in respect of materials MGS:

	<b>Units</b>
Normal month usage	44,000
Maximum anticipated monthly usage	57,000
Minimum anticipated monthly usage	9,800
Delivery period from suppliers:	
Maximum	5 months
Normal 4 months Minimum	2 months
Re-order quantity (EOQ)	40,000 units
Required:	
(a) Calculate:	
(i) Re-order level	
(ii) Minimum stock level	
(iii) Maximum stock level.	

- b. During the year, 20,000 units of Z were produced and sold. Costs and revenues were:

	<b>N</b>
Sales	580,000
Production costs:	
Variable	135,000
Fixed	115,000
Administrative + selling	
Overheads fixed	125,000

**Required**

Show the net profit using both absorption and marginal costing approach.

- c. Outline four essential elements of effective cost accounting information.

**QUESTION 2**

Explain the following terms:

- i. Straight-line method;
- ii. Reducing balance method;
- iii. Production unit method;
- iv. Revaluation method
- v. Process costing

**QUESTION3**

- a. State eight advantages of operating central stores.
- b. State seven duties of a store keeper.

**QUESTION 4**

Explain the following terms:

1. Deterministic or mechanistic system
2. Stochastic or probabilistic systems
3. Adaptive or self-organizing or cybernetic systems

**QUESTION 5**

Describe the following costing methods:

1. Job costing
2. Batch costing
3. Contract costing

**QUESTION 6**

Briefly explain the following measures of performance:

1. Controllable profit
2. Divisional profit
3. Net profit
4. Controllable residual profit
5. Net residual profit