2025 WASSCE PRINCIPLES OF COST ACCOUNTING 2

PAPER 2

2 hours

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) Explain the term cost effectiveness. [3 marks]
   (b) Identify three benefits of cost effectiveness to an organization. [6 marks]
   (c) State three factors that limit cost effectiveness in an organization. [6 marks]

2. (a) The first step in the treatment of overheads is collection. Identify five source documents from which overheads are collected. [5 marks]
   (b) State the circumstances under which the following overhead absorption rates would be used;
      (i) machine hour rate;
      (ii) production unit rate;
      (iii) direct wages percentage;
      (iv) direct labour hour rate;
      (v) direct material cost percentage. [10 marks]

3. (a) What is time booking? [2 marks]
   (b) List three documents that are used for time booking. [3 marks]
   (c) State five objectives of time booking in an organization. [10 marks]

4. (a) What is the basis of cost classification under marginal costing technique? [3 marks]
   (b) Outline the process of profit determination in marginal costing. [6 marks]
   (c) Explain the difference in profits obtained using;
      (i) marginal costing technique;
      (ii) absorption costing technique. [6 marks]

SECTION B

PRACTICE

Answer three questions only from this section.

5. Maati Company Limited uses three raw materials for a particular product called 'Comb'. The information below relates to the product.

Raw Materials	**Usage per unit of product (kg)**	**Re-order quantity (kg)**	**Leadtime (Weeks)**			**Re-order level (kg)**	**Minimum stock level (kg)**
			Min.	Ave	Max		
A	10	10,000	1	2	3	8,000	X
B	4	5,000	3	4	5	4,750	X
C	6	10,000	2	3	4	X	2,000

Additional Information:

The weekly production ranges from 175 units to 225 units.

You are required to compute:

(a) minimum stock level of raw material 'A';

(b) maximum stock level of raw material 'B';

(c) re-order level of raw material 'C';

(d) average stock level of material 'A'. [15 marks]

6. Asafo Building Company was awarded a contract to build a Conference Hall at Kaeme on 1st March, 2022, at a contract price of GH¢ 4,500,000. The following information was provided by the company as at 31st December, 2022.

	GH¢
Materials sent to site	850,000
Materials returned to store	50,000
Direct wages paid	300,000
Wages accrued	20,000
Value of plant sent to site	200,000
Overheads	50,000
Installation cost	20,000
Direct expenses paid	40,000
Accrued expenses	10,000

Additional Information:
(i) Value of plant at the end of 31st December, 2022 was GH¢ 180,000;
(ii) Materials on site as at 31st December, 2022 was GH¢ 100,000;
(iii) Value of work certified up to 31st December, 2022 was GH¢ 1,200,000;
(iv) Cost of work done but not certified was GH¢ 300,000;
(v) Money received for work certified was GH¢ 900,000.

You are required to prepare for Asafo Building Company for the year ending 31st December, 2022:
(a) contract account;
(b) contractee's account.

7. Yaboy Limited manufactures product A which sells for D 1.65 per unit.
The fixed cost for each month is D 2,160 and variable costs are D 1.05 per unit.
The production and sales for the half year ended 30th June, 2024 were:

Month ended 2024	**Units**
31st January	4,000
29th February	4,800
31st March	6,000
30th April	5,400
31st May	3,000
30th June	4,500

You are required to:
(a) complete a statement in a columnar form to show for each month separately and for the half year:
(i) sales;
(ii) variable costs;
(iii) contribution;
(iv) profit or loss.

(b) Calculate the break-even point in quantity and value for the product for the half year 30th June, 2024.

[15 marks]

8. Mega Limited keeps two (2) separate sets of books, one for Cost Accounts and the other for Financial Accounts. During the first quarter of 2024, its Cost Accounts disclosed a net profit of GH¢ 16,200 while that of Financial Accounts is GH¢ 24,920.

Investigation into the books revealed the following differences:

	Cost Accounts GH¢	**Financial Accounts GH¢**
Loss on disposal of fixed assets	-	5,200
Imputed rent	920	-
Depreciation on plant	20,530	21,810
Opening stock of finished goods	18,000	17,500
Closing stock of finished goods	54,640	63,100
Interest received	-	1,900
Notional interest on capital	4,200	-
Discount received	-	210
Discount allowed	-	300
Cost of idle time	1,500	-
Bank charges	-	1,890

You are required to reconcile the Cost Accounts profit with that of Financial Accounts profit, starting with the Cost Accounts profit.

[15 marks]

9. Dimbalenteh Manufacturing Limited produces a component of a product. The standard cost per unit is given below.

Material 1	10 kg @ Le 2.00
Material 2	15 kg @ Le 1.50
Direct wages	4 hours @ Le 1.50

The following cost details relate to the actual unit of production for the month of June, 2022.

Material 1	12 kg @ Le 1.80
Material 2	13 kg @ Le 2.00
Direct wages	5 hours @ Le 1.70

The output produced during the month was 1,000 units.

You are required to calculate:

(a) direct material price variance for each component of material used;

(b) direct material usage variance for each component of material used;

(c) direct labour rate variance;

(d) direct labour efficiency variance;

(e) total cost variance.

[15 marks]

END OF ESSAY TEST