

SC1052&1  
WASSCE 2020  
PRINCIPLES OF  
COST  
ACCOUNTING 2 & 1  
Essay and Objective  
3 hours

2&1

- ❖ PAST QUESTIONS
- ❖ QUIZZES
- ❖ REVISION NOTES
- ❖ SYLLABUS / CHIEF EXAMINERS' REPORT
- ❖ LESSON NOTES
- ❖ FREE COURSES
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THE WEST AFRICAN EXAMINATIONS COUNCIL

West African Senior School Certificate Examination  
for School Candidates

SC 2020

PRINCIPLES OF COST ACCOUNTING 2 & 1

3 hours

*Do **not** open this booklet until you are told to do so. While you are waiting, read and observe the following instructions carefully.*

*Write your **name** and **index number** in **ink** in the spaces provided above.*

*This booklet consists of **two** papers. Answer Paper 2 which comes first, in your answer booklet and Paper 1 in your Objective Test answer sheet. Paper 2 will last **2** hours after*

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) State **four** reasons for cost classification. [8 marks]
- (b) Classify the following types of cost under the following headings:  
*nature; behaviour; function; time/relevance and product.*
  - (i) fixed cost;
  - (ii) production cost;
  - (iii) sunk cost;
  - (iv) labour cost;
  - (v) historical cost;
  - (vi) administration cost;
  - (vii) direct cost;
  - (viii) expenses;
  - (ix) mixed cost;
  - (x) distribution cost;
  - (xi) indirect cost;
  - (xii) budgeted cost;
  - (xiii) material cost;
  - (xiv) variable cost.

[7 marks]
2. (a) List **five** documents used in the store. [5 marks]
- (b) State the importance of fixing the following stock control levels:
  - (i) economic order quantity;
  - (ii) re-order level;
  - (iii) maximum stock level;
  - (iv) minimum stock level;
  - (v) buffer stock.

[10 marks]
3. (a) Explain the **purpose** of *retention* in contract costing. [3 marks]
- (b) Distinguish between *joint products* and *by-products*. [4 marks]
- (c) List **four** characteristics of Job Order Costing. [8 marks]

4. (a) What is *standard costing*?

[3 marks]

- (b) Explain the following types of standards:
- (i) attainable standards;
  - (ii) ideal standards;
  - (iii) basic standards;
  - (iv) current standards.

[12 marks]

## SECTION B

## PRACTICE

*Answer three questions only from this section.*

5. *Overtun Limited* provided the following information about overhead absorption for their different departments.

<u>Department</u>	<u>Overhead absorption rate</u>	<u>Actual overhead (D)</u>
Production	50 % of material cost	12,000
Administration	D 10 per labour hour	24,000
Sales	D 5 per unit	14,000
Distribution	D 10 per unit	10,000
Finance	30 % of direct wages	4,000

The following information is also available to determine overhead absorbed.

Material cost	D 24,300
Labour hour	2,000 hours
Unit sold	1,600 units
Direct wages	D 14,200

You are required to compute for **each** department:

- (a) total overhead absorbed;
- (b) over or under absorbed overhead.

[15 marks]

6. *Coconut Limited* produces fruit juice for export. Production of the juice is done in batches and **each** batch comprises 100 cartons.

Cost of production is as follows:

Set up cost	D 12,000 per order
Materials	D 364 per carton
Labour	D 240 per carton
Factory overheads	D 1,620 per batch
Power	D 1,220 per batch
Administration overheads	D 15,000 per order
Packaging	D 50 per carton
Consumables	D 1,200 per batch

- ◆ *Nseku Enterprise* has placed an order for 500 cartons of fruit juice.
- ◆ *Coconut Limited* sells products at a margin of 20 % on sales.

You are required to prepare a statement to show:

- (a) the cost of producing the order from *Nseku Enterprise*;
- (b) the invoice price of the order.

[15 marks]

7. *Odumfa Enterprise* provided the following forecast for the year 2020.

Fixed cost	Le 399,870
Units to produce	20,000 units
Total production cost	Le 14,999,870
Selling price	Le 1,000

You are required to calculate:

- (a) variable cost per unit;
- (b) contribution per unit;
- (c) break-even point in units and value;
- (d) the profit to be made for the production of 25,000 units.

[15 marks]

8. *Antar Enterprise* is preparing a cash budget for their business for 2021.

Sales forecast for the relevant period are as follows:

Month	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MARCH</u>	<u>APRIL</u>
	GH¢	GH¢	GH¢	GH¢	GH¢
Sales	14,500	16,800	18,200	20,000	21,600

- ◆ All sales are on credit and cash is collected the next month.
- ◆ The business receives rent of GH¢ 2,000 per month.
- ◆ Purchases are 80 % of the sales revenue for **each** month and paid for in the month before the sales.
- ◆ A dividend of GH¢ 4,000 is expected to be received in February.
- ◆ An asset valued at GH¢ 20,000 would be sold at a loss of GH¢ 2,000 in March.
- ◆ Wages and expenses of GH¢ 5,000 and GH¢ 2,500 respectively are payable per month.
- ◆ Cash on hand at 1/1/2021 is GH¢ 8,500.

You are required to prepare a cash budget for the *first quarter* of 2021. The budget should show the net cash flow for **each** month.

[15 marks]

9. *Westpoint Company Limited* employs 120 workers. **Each** worker is paid a basic salary of GH¢ 480 for a 40-hour week and transportation allowance of GH¢ 50 per week.

The company also contributes 10 % of the basic salary as Social Security for **each** worker.

Due to increased demand for its services the company is considering ways of increasing production.

The company has two options as follows:

- ◆ allowing **each** of the existing workers to do overtime of 10 hours per week at time and a quarter;
- ◆ employing 30 additional workers at normal rate to meet the increased demand.

You are required to compute:

- (a) wage rate for normal work;
- (b) overtime premium rate;
- (c) total cost of providing services if the existing workers are allowed to do overtime;
- (d) total cost of providing services if the company employs the 30 additional workers.

[15 marks]

***END OF ESSAY TEST***

**BLANK SHEET**

7

**DO NOT TURN OVER THIS PAGE  
UNTIL YOU ARE TOLD TO DO SO.**

**YOU WILL BE PENALIZED SEVERELY IF YOU  
ARE FOUND LOOKING AT THE NEXT PAGE  
BEFORE YOU ARE TOLD TO DO SO.**

**WHILE YOU ARE WAITING, READ THE  
FOLLOWING INSTRUCTIONS CAREFULLY.**

PAPER 1  
OBJECTIVE TEST

1 hour

1. Use 2B pencil throughout.
2. On the pre-printed answer sheet, check that the following details are **correctly** printed:
  - (a) In the space marked *Name*, check your **surname** followed by your **other names**.
  - (b) In the spaces marked *Examination*, *Year*, *Subject* and *Paper*, check 'WASSCE', 'SC 2020', 'PRINCIPLES OF COST ACCOUNTING', and '1' in that order.
  - (c) In the box marked *Index Number*, your **index number** has been printed vertically in the spaces on the left-hand side, and each numbered space has been shaded in line with each digit. **Reshade** each of the shaded spaces.
  - (d) In the box marked *Subject Code*, the digits 10512 are printed vertically in the spaces on the left-hand side. **Reshade** the corresponding numbered spaces as you did for your index number.
3. An example is given below. This is for a male candidate whose *name* is Elliot Kofi AGBANA. His *index number* is 7102143958 and he is offering *Principles of Cost Accounting* 1.

**THE WEST AFRICAN EXAMINATIONS COUNCIL  
ANSWER SHEET**

PRINT IN BLOCK LETTERS		<b>GHA</b>
Name: <u>AGBANA ELLIOT KOFI</u>		
Examination: <u>WASSCE</u>	Year: <u>SC 2020</u>	
Subject: <u>PRINCIPLES OF COST ACCOUNTING</u>	Paper: <u>1</u>	

**INSTRUCTIONS TO CANDIDATES**

1. Use grade 2B pencil throughout.
2. Answer each question by choosing one letter and shading it like this.
3. Erase completely any answer you wish to change.
4. Leave extra spaces blank if the answer spaces provided are more than you need.
5. Do not make any markings across the heavy black marks at the right hand edge of your answer sheet.

INDEX NUMBER									
7	0	1	2	3	4	5	6	7	8
1	0	1	2	3	4	5	6	7	8
0	0	1	2	3	4	5	6	7	8
2	0	1	2	3	4	5	6	7	8
1	0	1	2	3	4	5	6	7	8
4	0	1	2	3	4	5	6	7	8
3	0	1	2	3	4	5	6	7	8
9	0	1	2	3	4	5	6	7	8
5	0	1	2	3	4	5	6	7	8
8	0	1	2	3	4	5	6	7	8

SUBJECT CODE									
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2	0	1	2	3	4	5	6	7	8

**For Supervisors only**  
If candidate is absent  
shade this space.

Answer **all** the questions.

Each question is followed by four options lettered A to D. Find the **correct** option for each question and shade in **pencil** on your answer sheet, the answer space which bears the same letter as the option you have chosen. Give only **one** answer to each question. An example is given below.

- Materials transferred from one department to another may be accompanied by a
- A. waybill or receipt.
  - B. materials transfer note.
  - C. materials requisition note.
  - D. purchase order.

The correct answer is materials transfer note, which is lettered B, and therefore answer space B should be shaded.

☐ A ☒ B ☐ C ☐ D

Think carefully before you shade the answer spaces; erase completely any answers you wish to change.

Do **all** rough work on this question paper.

Now answer the following questions:

1. Which of the following describes Cost Accounting?
  - A. Cost reports are prepared annually
  - B. It is a legal requirement
  - C. It is for external use only
  - D. It uses past, present and future information
2. Cost Accounting aims at increasing business profits by
  - A. controlling cost.
  - B. controlling prices.
  - C. increasing cost.
  - D. increasing sales.
3. In order for Cost Accounting system to be easily understood, it must be
  - A. cost effective.
  - B. free from bias.
  - C. relevant to the organization.
  - D. simple to operate.
4. Late presentation of Cost Accounting information will affect its
  - A. accuracy.
  - B. clarity.
  - C. simplicity.
  - D. usefulness.
5. Costs are classified according to
  - A. common basis.
  - B. common characteristics.
  - C. income and expenditure.
  - D. profit or loss.

6. Expenses incurred in searching for new or improved products is
- A. administrative costs.
  - B. distribution costs.
  - C. research and development costs.
  - D. selling costs.
7. The salary paid to a factory supervisor is
- A. direct expense.
  - B. direct labour cost.
  - C. indirect labour cost.
  - D. indirect expense.
8. Grouping of costs into materials, labour and expenses is classification by
- A. behaviour.
  - B. function.
  - C. nature.
  - D. normality.
9. The system where stock records are adjusted after every purchase or sale is
- A. continuous stocktaking.
  - B. inventory control.
  - C. periodic stocktaking.
  - D. perpetual inventory.
10. Economic Order Quantity is the
- A. average amount of materials to be ordered.
  - B. minimum amount of materials to be ordered.
  - C. maximum amount of materials to be ordered.
  - D. optimum amount of materials to be ordered.
11. The purpose of pricing issues from stores is to determine
- A. cost of materials issued.
  - B. quantity of closing stock.
  - C. quantity of materials issued.
  - D. selling price of goods.
12. Material requisition note is prepared by
- A. Accounts department.
  - B. User department.
  - C. Purchases department.
  - D. Stores department.

Use the following information to answer questions 13 to 15.

1 <sup>st</sup> January Opening balance	200 units @ GH¢ 12
5 <sup>th</sup> January Receipts	400 units @ GH¢ 9
10 <sup>th</sup> January Issues	500 units

13. Cost of materials issued using simple average method of pricing issues is
- GH¢ 4,800.
  - GH¢ 5,000.
  - GH¢ 5,100.
  - GH¢ 5,250.
14. Cost of materials issued using weighted average method of pricing issues is
- GH¢ 4,750.
  - GH¢ 5,000.
  - GH¢ 5,100.
  - GH¢ 5,200.
15. The value of closing stock using weighted average method of pricing issues is
- GH¢ 900.
  - GH¢ 1,000.
  - GH¢ 1,050.
  - GH¢ 1,200.
16. Guaranteed wages are the
- minimum amount to be paid to workers.
  - maximum amount to be paid to workers.
  - payment based on the units produced.
  - payment based on time saved.
17. The period where workers are paid for not working due to machine break down is
- idle time.
  - lead time.
  - overtime.
  - time rate.
18. An incentive scheme that encourages workers to produce extra units is
- differential piece rate.
  - high day rate.
  - premium bonus.
  - overtime premium.

Use the following information to answer questions 19 to 21.

Labour rate per hour	D 6
Overtime rate	time and a quarter
Normal working hours per month	200 hours
Employer's Social Security contribution is	10 % of basic wage

Appiah worked 250 hours in April, 2020.

19. Appiah's basic wage for April 2020 is
  - A. D 1,875.
  - B. D 1,500.
  - C. D 1,320.
  - D. D 1,200.
20. Appiah's total earnings for April 2020 is
  - A. D 1,875.
  - B. D 1,575.
  - C. D 1,500.
  - D. D 1,250.
21. Total amount spent on Appiah by his employers for April 2020 is
  - A. D 1,875.
  - B. D 1,695.
  - C. D 1,595.
  - D. D 1,320.
22. Cost drivers are
  - A. activities that generate cost.
  - B. pools in which costs are grouped.
  - C. overheads based on activities.
  - D. processes that increase cost.
23. The charging of overheads to cost units is
  - A. absorption.
  - B. allocation.
  - C. apportionment.
  - D. distribution.
24. Over absorption of overheads occurs when actual overheads is
  - A. equal to absorbed overheads.
  - B. less than absorbed overheads.
  - C. more than absorbed overheads.
  - D. more than total overheads.
25. In a manufacturing company, service cost centre overheads are recovered by
  - A. charging to profit and loss account.
  - B. absorbing using machine hour rate.
  - C. apportioning to production cost centres.
  - D. charging directly to finished goods account.

Use the following information to answer questions 26 and 27.

Overhead absorption rate	50 % of direct labour cost
Direct labour cost	Le 563,000
Actual overhead incurred	Le 300,000

26. Overhead absorbed into production is
- Le 600,000.
  - Le 563,000.
  - Le 300,000.
  - Le 281,500.
27. The use of the predetermined overhead absorption rate resulted in
- over absorption of Le 281,500.
  - over absorption of Le 18,500.
  - under absorption of Le 18,500.
  - under absorption of Le 281,500.
28. When customer orders a quantity of similar items which is produced to his specification, is produced as a
- batch.
  - contract.
  - job.
  - process.
29. What method will a textile manufacturing firm use in its product costing?
- Batch costing
  - Job costing
  - Process costing
  - Service costing

Use the following information to answer questions 30 to 32.

Value of work certified	D 364,500
Cost of work done to date	D 260,300
Work done not certified	D 20,400

30. Cost of work certified is
- D 20,400.
  - D 239,900.
  - D 260,300.
  - D 280,700.
31. Apparent profit on the contract is
- D 20,400.
  - D 83,800.
  - D 104,200.
  - D 124,600.

32. The Contractee's Account will be debited with an amount of
- A. D 239,900.
  - B. D 260,300.
  - C. D 280,700.
  - D. D 364,500.
33. In absorption costing, fixed manufacturing costs are treated as
- A. period cost.
  - B. product cost.
  - C. relevant cost.
  - D. sunk cost.
34. The excess of total contribution over fixed cost is
- A. break even point.
  - B. net loss.
  - C. net profit.
  - D. net sales.

*Use the following information to answer questions 35 to 37.*

Production	12,000 units
Sales	10,000 units
Variable cost	Le 480,000
Fixed cost	Le 180,000
Selling price	Le 60

35. Variable cost per unit is
- A. Le 40.
  - B. Le 48.
  - C. Le 55.
  - D. Le 66.
36. Gross profit using marginal costing approach is
- A. Le 20,000.
  - B. Le 50,000.
  - C. Le 60,000.
  - D. Le 490,000.
37. Closing stock under marginal costing is valued at
- A. Le 42,000.
  - B. Le 50,000.
  - C. Le 80,000.
  - D. Le 110,000.
38. The time frame within which the budget is to be used is
- A. budget manual.
  - B. budget period.
  - C. functional budget.
  - D. key factor.

39. The key factor in the preparation of the cash budget is
- A. availability of funds.
  - B. depreciation charges.
  - C. payment for purchases.
  - D. profit on disposal of asset.
40. A type of budget that is designed to change with the level of activity is
- A. sales budget.
  - B. flexible budget.
  - C. fixed budget.
  - D. production budget.

Use the following information to answer questions 41 and 42.

	DEC.	JAN.	FEB.
Projected sales (units)	6,000	5,000	7,000

Half of projected sales is produced in the month before the sales and the other half in the month of sales.

41. Production for December is
- A. 2,500 units.
  - B. 3,000 units.
  - C. 5,500 units.
  - D. 6,000 units.
42. Production for January is
- A. 2,500 units.
  - B. 3,000 units.
  - C. 5,000 units.
  - D. 6,000 units.
43. Standards that are set for use over a short period is
- A. attainable standard.
  - B. basic standard.
  - C. current standard.
  - D. ideal standard.
44. Management's perception of the expected performance is
- A. budget.
  - B. forecast.
  - C. standard.
  - D. variance.

Use the following information to answer questions 45 to 47.

Standard price	GH¢ 10 per kg
Standard quantity	4 kg
Actual production	25,300 units

Actual quantity of materials used 113,850 kg costing GH¢ 910,800.

45. Actual price per kg is
- GH¢ 3.
  - GH¢ 8.
  - GH¢ 9.
  - GH¢ 10.
46. Standard quantity for actual production is
- 101,200 kg.
  - 113,850 kg.
  - 253,000 kg.
  - 910,800 kg.
47. Material price variance is
- GH¢ 227,700 A.
  - GH¢ 37,950 A.
  - GH¢ 37,950 F.
  - GH¢ 227,700 F.
48. The system of Cost Accounts which has no double entry link with Financial Accounts is
- absorption costing.
  - activity based costing.
  - integrated cost accounts.
  - interlocking cost accounts.
49. One item that reduces the costing profit as compared to financial accounting profit is
- depreciation.
  - discount allowed.
  - imputed rent payable.
  - loss on disposal of assets.
50. Materials returned to suppliers is debited to Cost Ledger Control Account and credited to
- Stores Ledger Control Account.
  - Work in Progress Control Account.
  - Materials Control Account.
  - Suppliers Control Account.

**END OF PAPER**