

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION: OCTOBER 2009

MANAGEMENT AND COST ACCOUNTING I I CAC 2105

TIME ALLOWED: 3 HOURS

INSTRUCTIONS TO CANDIDATES

- i. Answer all **four** questions
- ii. Begin each question on a new page

QUESTION	TOPIC	MARKS
1	PRICING MATERIAL ISSUES & INVENTORY CONTROL	25
2	JOB COSTING	25
3	INVENTORY CONTROL	25
4	PROCESS COSTING	25

QUESTION 1 (25 MARKS)

A) State 2 advantages and 2 disadvantages of each of the following stock valuation methods

- i) FIFO
- ii) LIFO
- iii) AVCO (Average cost)

B.) Tubes Ltd are manufactures of picture tubes for TV. The following information is provided during 2008.

Average monthly market demand	2000 tubes
Ordering cost	\$100 per tube
Inventory carrying cost	20% per annum
Cost of tubes	\$500 per tube
Normal usage	100 tubes per week
Minimum usage	50 tubes per week
Maximum usage	200 tubes per week
Lead time to supply	6 – 8 weeks

You are required to calculate:

a) The Economic Order Quantity
If a supplier is willing to supply quarterly 1 500 units at a discount of 5%, is it worth accepting? (5 marks)

b) The reorder level (2 marks)

c) The maximum level (2 marks)

d) The minimum level (2 marks)

e) The average stock (2 marks)

C) What do you understand by the following terms:

- Periodic inventory control system
- Perpetual inventory control system (4 marks)

D) As Cost Accountant advice management which system is better of the two giving reasons why. (5 marks)

QUESTION 2 (25 MARKS)

Agrochemical received an order to supply a farmer with cattle feed. The job passes through 3 departments

Mixing department

100 kg of maize meal at \$2 per kilo

50 kg of sunflower at \$1.00 per kilo

