



# **MACHAKOS UNIVERSITY**

**University Examinations for 2018/2019 Academic Year**

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF BANKING, ACCOUNTING & FINANCE**

**FIRST YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR**

**DIPLOMA IN ACCOUNTANCY**

**DACC 115 COST ACCOUNTING**

**DATE: 25/9/2019**

**TIME: 2.00-4.0 PM**

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## **INSTRUCTIONS:**

Attempt Question One and any other Two Questions

### **QUESTION ONE**

- a) The following information is provided for material DXQ 444.
- Maximum consumption 500 units per week  
Minimum consumption 300 units per week  
Re-order period or lead time 2-4 weeks  
Re-order quantity 10,000 units
- Calculate:
- Re-order level
  - Minimum stock level
  - Maximum stock level
  - Average stock level (8 marks)
- b) Explain six advantages of cost accounting (12 marks)
- c) Explain clearly four benefits of cost accounting to an organization. (8 marks)
- d) State two advantages of time rate method of computing wages. (2 marks)

## QUESTION TWO

- a) Explain the difference between the following terms;
- i. Cost centre and cost unit
  - ii. Direct and indirect cost (4 marks)
- b) List four objectives of stock control in an organization. (4 marks)
- c) Explain various classifications of overheads. (12 marks)

## QUESTION THREE

Machakos manufacturing company provides the following information for the month of January 2013.

Stock on 1 <sup>st</sup> January 2013	Shs
Raw materials	20,000
Work-in-progress	6000
Finished goods	10,000
Stock on 31 <sup>st</sup> Jan 2013	
Raw materials	17,500
Work-in-progress	8,500
Finished goods	11,500
Purchases of raw materials for January	125,000
Factory wage	40,000
Salaries of supervisors	15,000
Factory rent	5,000
Power	2,500
Sundry factory expenses	7,500
Office salaries	6,500
Sundry office expenses	3,500
Salesman's salaries	9,000
Sundry selling expenses	3,000
Sales	250,000

**Required:**

- a) Prepare a production cost statement (10 marks)
- b) Prepare a profit statement (10 marks)

**QUESTION FOUR**

The following information relates to Kameme cement manufacturing company;

Year	units of cement produced	Manufacturing overheads
2012	40,000,000	500,000,000
2013	65,000,000	600,000,000
2014	30,000,000	495,000,000
2015	90,000,000	700,000,000
2016	50,000,000	550,000,000

- a) Using High- Low method, determine the cost function that can be used in predicting the manufacturing cost of cement
- b) Using the cost function in (i) above estimate the cost the company will incur in 2017 if it expects to manufacture 85,000,000 units of cement. (20 marks)

**QUESTION FIVE**

- a) Explain five conditions for an effective and successful costing system (10 marks)
- b) Vunyula Co-operative Society deals in gunny bags. The following transactions took place during the month of December 2011.

December 1	500 bags were in stock valued at Ksh 12 each
4	Issued 400 bags
6	Purchased 300 bags at Ksh 15 each
10	Purchased 600 bags at Ksh 20 each
14	Issued 500 bags
18	Issued 200 bags
27	Purchased 700 bags at Ksh 22 each
31	Issued 400 bags

The market price of a bag on 31 December was Ksh 30. The standard price was Ksh 22 per bag. Prepare a stores ledger account using the replacement methods of stores valuation. (10 marks)



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University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

SECOND YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF COMERCE

BAC 202: COST ACCOUNTING 1

DATE: 25/7/2019

TIME: 2.00-4.00 PM

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## INSTRUCTIONS:

Attempt Question One and any other Two Questions

### QUESTION ONE

- a) Explain the following terms as used in cost accounting;
- (i) Cost unit
  - (ii) Cost centre
  - (iii) Profit centre
  - (iv) Cost behaviour (8 marks)
- b) Outline the procedure that may be followed in installing a cost accounting system. (8 marks)
- c) Explain various classifications of overheads. (6 marks)
- d) State five main features of contract costing. (5 marks)
- e) State three advantages of regression analysis as a method of cost estimation. (3 marks)

### QUESTION TWO

- a) In the manufacture of product QP, 3,000 kgs of material at shs. 10 per kg were supplied to process 1. Labour costs amounted to shs. 3,500 and production overheads of shs. 2,700 were incurred. The normal loss has been estimated at 15%, while the actual production was 1,800kg. Prepare the process account and calculate cost per unit. (10 marks)

- b) With the help of graphs, explain the cost behavior of semi variable costs and semi fixed costs as the activity level increases. (10 marks)

### QUESTION THREE

- a) MEMA limited has three production departments, P, Q and R and two service departments M1 and M2. The following extract information relates to the allocation overhead for the month of March 2019;

Production Departments	Shs.
P	1,000,000
Q	1,800,000
R	1,600,000
Service Departments	
M1	800,000
M2	620,000

The service departments expenses are charged on a percentage basis as follows;

Service department	P	Q	R	M1	M2
M1	30%	30%	25%	-	15%
M2	40%	20%	30%	10%	-

Prepare a statement showing the total overhead to be absorbed by each production department.

(12 marks)

- b) Explain four disadvantages of piece rate method of computing wage. (8 marks)

### QUESTION FOUR

- a) The following information on manufacturing overheads relates to Mkopo company for the year 2018.

Month	Output level ( units)	manufacturing overhead (shs)
January	2,300	29,000
February	2,250	28,000
March	2,750	30,000
April	4,000	49,000
May	2,600	32,000

Using High-low method calculate the total cost to be incurred if 4500 units were produced in the month of June, 2018. (10 marks)

b) Explain five bases of cost classification in cost accounting. (10 marks)

### QUESTION FIVE

a) The following information relates to MAMBO manufacturers that produces only one product;

	Kshs.
Fixed production cost	20
Variable production cost	90
Variable selling expenses	50
Selling price	260
Fixed selling cost	25

The fixed costs are usually based on a production level of 100,000 units and are expected to increase by kshs. 80,000 for every year increase in production of 22,000 units.

The budget below relates to the year ended 31<sup>st</sup> December 2018;

	Units
Production	
Stocks (1.1.2018)	133,000
Stocks (31. 1. 2018)	27,000

Prepare a profit statement using marginal costing method. (10 marks)

b) Explain five objectives of stock control. (10 marks)