



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

SECOND YEAR SPECIAL/ SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF COMMERCE

BAC 202: COST ACCOUNTING 1

DATE: 26/3/2021

TIME: 2.00-4.00 PM

INSTRUCTIONS:

Answer question one and any other two questions.

QUESTION ONE (30 MARKS)

- a) Explain clearly four benefits of cost accounting to an organization. (8 marks)
- b) Explain the difference between the following terms;
 - i. Cost centre and cost unit
 - ii. Direct and indirect cost (4 marks)
- c) List four objectives of stock control in an organization. (4 marks)
- d) State two advantages of time rate method of computing wages. (2 marks)
- e) Explain various classifications of overheads. (12 marks)

QUESTION TWO (20 MARKS)

- a) NICE limited has three production departments, X, Y and Z and two service departments S1 and S2. The following extract information relates to the allocation overhead for the month of December, 2020;

Production Departments	Shs.
X	150,000
Y	270,000
Z	190,000

Service Departments

S1	30,000
S2	50,000

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

Service department	X	Y	Z	S1	S2
S1	40%	20%	30%	-	10%
S2	50%	20%	20%	10%	-

Prepare a statement showing the total overhead to be absorbed by each production department using repeated distribution method.

(12 marks)

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

QUESTION THREE (20 MARKS)

The following information relates to item P003 stocked by Nzuri products Ltd for the month of February, 2021:

Date	Receipts	Issues	Unit cost (Sh)
	Units	Units	
Feb3	2,400		18
4		3,200	
6	2,600		20
12		2,700	
14	3,000		22
18	2,800		21
20		2,200	
22	2,600		23
25		3,800	
26	3,100		24
27	2,500		25
28	3,200		26
28		6,900	

The closing balance for January, 2021 was a batch of 3,000 units received at a unit price of Sh 19.

Required:

- a) Stores perpetual inventory record for item P003 for February 2021 under LIFO system of stores issues. (14 marks)
- b) Closing stock valuation. (6 marks)

QUESTION FOUR (20 MARKS)

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.

QUESTION FIVE (20 MARKS)

- a) Outline the procedure that may be followed in installing a cost accounting system.(14 marks)
- b) Explain three advantages of regression analysis as a method of cost estimation. (6 marks)