



MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT

SCIENCES

FIRST YEAR SECOND SEMESTER EXAMINATION FOR DIPLOMA IN SUPPLY

CHAIN MANAGEMENT

BAC 031 COST ACCOUNTING

DATE: 30/5/2017

TIME: 2:00 – 4:00 PM

INSTRUCTIONS:

Answer Question One and Any Other Two Questions

QUESTION ONE

- 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)

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

| | |
|---------------------------------------|--------|
| Stock on 1 st January 2013 | Shs |
| Raw materials | 20,000 |
| Work-in-progress | 6000 |
| Finished goods | 10,000 |

Stock on 31st 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:

- (i) Prepare a production cost statement (10 marks)
- (ii) Prepare a profit statement (10 marks)

QUESTION THREE (20 MARKS)

The following information relates to Kampala cement manufacturing company;

| Year | units of cement produced | Manufacturing overheads |
|------|--------------------------|-------------------------|
| 2012 | 60,000,000 | 520,000,000 |
| 2013 | 85,000,000 | 620,000,000 |
| 2014 | 50,000,000 | 515,000,000 |
| 2015 | 110,000,000 | 720,000,000 |
| 2016 | 70,000,000 | 570,000,000 |

- i) Determine the cost function that can be used in predicting the manufacturing cost of cement
- ii) Using the cost function in (i) above estimate the cost the company will incur in 2017 if it expects to manufacture 105,000,000 units of cement. (20 marks)

QUESTION FOUR (20 MARKS)

a) The following information is provided for material XQ 732.

Maximum consumption 300 units per week

Minimum consumption 200 units per week

Re-order period or lead time 2-3 weeks

Re-order quantity 15,000 units

Calculate:

(i) Re-order level

(ii) Minimum stock level

(iii) Maximum stock level

(iv) Average stock level (8 marks)

b) Explain six advantages of cost accounting (12 marks)

QUESTION FIVE (20 MARKS)

a) Explain five conditions for an effective and successful costing system (10 marks)

b) Vundanyi Co-operative Society deals in gunny bags. The following transactions took place during the month of December 2010.

| | |
|------------|--|
| December 1 | 500 bags were in stock valued at Ksh 12 each |
| 3 | Issued 400 bags |
| 4 | Purchased 300 bags at Ksh 15 each |
| 9 | Purchased 600 bags at Ksh 20 each |
| 12 | Issued 500 bags |
| 17 | Issued 200 bags |
| 22 | Purchased 700 bags at Ksh 22 each |
| 25 | Issued 400 bags |

The market price of a bag on 25 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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SECOND YEAR SECOND SEMESTER EXAMINATION FOR BACHELOR OF

COMMERCE

BAC 202: COST ACCOUNTING

DATE: 30/5/2017

TIME: 2:00 – 4:00 PM

INSTRUCTIONS:

Answer Question One and Any Other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

- 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 (20 MARKS)

- a) Sura poa 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 March 2017;

| Production Departments | Shs. |
|-------------------------------|-------------|
| X | 1,000,000 |
| Y | 1,800,000 |
| Z | 1,600,000 |
| Service Departments | |
| S1 | 800,000 |
| S2 | 620,000 |

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

| Service department | X | Y | Z | S1 | S2 |
|---------------------------|----------|----------|----------|-----------|-----------|
| S1 | 30% | 30% | 25% | - | 15% |
| S2 | 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 THREE (20 MARKS)

- a) The following information relates to Jambo Moja 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 31st December 2016;

Units

Production

| | |
|----------------------|---------|
| Stocks (1.1.2016) | 133,000 |
| Stocks (31. 1. 2016) | 27,000 |

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

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

QUESTION FOUR (20 MARKS)

a) In the manufacture of product XYZ, 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 FIVE (20 MARKS)

a) The following information on manufacturing overheads relates to Zemko company for the year 2016.

| 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 4400 units were produced in the month of June, 2016. (10 marks)

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