



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING, BANKING AND FINANCE

SECOND YEAR FIRST SEMESTER EXAMINATION FOR MODULE II

DIPLOMA IN BUSINESS MANAGEMENT

DIPLOMA IN SUPPLY CHAIN MANAGEMENT

COST ACCOUNTING

DATE: 1/9/2021

TIME: 8:30 – 11:30 AM

Instructions

Answer All questions

Show all your working

All questions carry Equal marks

The questions should be answered in English

QUESTION ONE

- a) Explain the following terms
- i) Cost unit
 - ii) Cost center
 - iii) Responsibility centre
 - iv) Profit center
 - v) Cost
- (10 marks)
- b) using the following information regarding material XY, prepare a stores ledger account and determine the value of closing stock using the weighted average method. (10 marks)
- 2012
- | | |
|--------|--|
| May 1 | opening stock 700 units at sh 135 each |
| May 3 | purchased 650 units at sh 142 per unit |
| May 7 | issued 800 units |
| May 13 | issued 350 units |
| May 19 | purchased 920 units at sh 139 per unit |
| May 22 | purchased 270 units at sh 141 per unit |
| May 25 | issued 468 units |
| May 28 | purchased 515 units at sh 145 per unit |
| May 30 | issued 611 units |

QUESTION TWO

- a) Differentiate between financial accounting and cost accounting (8 marks)
- b) From the following information, prepare a cost statement (12 marks)

Stocks on 1st January 19-6	Sh
Raw materials	45000
Work in progress	22000
Stocks on 31st December 19-6	
Raw materials	65000
Work in progress	19000
Purchase of raw materials	670000
Carriage inwards	25000
Returns f raw materials	15000
Direct wages	280000
Factory rent	60000
Power	48000
Depreciation of plant	35000
Supervisors salary	55000
Office salaries	70000
Office expenses	12000
Depreciation of office equipment	5000
Salesmen's salary	68000
Delivery van expenses	27000
Depreciation of delivery vans	18000
Advertisement	12000

QUESTION THREE

- a) Cost accounting is conducted for different reasons. Explain 5 purposes of cost accounting in a business (10 marks)
- b) Witu Manufacturers produces product A using material Z. The following data is available in relation to the month of October 2013.

2013

October 2: opening balance 6000 units @ sh 120 each

4: purchased 5200 units @ sh 125 each

7: purchased 7145 units @ sh 132 each

9: issued 8750 units

12: purchased 6150 units @ sh 137 each

15: issued 2300 units

17: issued 5050 units

20: purchased 4317 units @ sh 139 each

22: issued 1399 units

24: issued 3078 units

26: purchased 4231 units @ sh 141 each

30: issued 3012 units

Required:

Using First In First out (FIFO) method of stock valuation, prepare a stock ledger account to determine the value of closing stock (10 marks)

QUESTION FOUR

- a) Explain how cost accounting is related to other fields (10 marks)
- b) The accounts of ABC Manufactures Ltd. for the year ended 31st December 2010 show the following:

	Rs.
Stock of Material on 1.1.88	6,720
Materials Purchased	1,50,000
Materials returned to suppliers	2,000
Direct Labour	50,000
Direct Expenses	20,000
Factory Expenses	15,300
Office & Administrative Expenses	8,000
Selling & Distribution Expenses	7,900
Stock of Materials on 31.12.88	7,720
Profit	10,000

Determine;

- i) Materials consumed
- ii) Prime cost
- iii) Work cost
- iv) Cost of production
- v) Total costs
- vi) Sales

(10 marks)

QUESTION FIVE

- a) Costs can be classified into various categories depending on their nature. Explain with examples five types of costs according to function (10 marks)
- b) The following information is provided for material Zed

Maximum consumption = 6000 units per week

Minimum consumption = 4000 units

Reorder period/ lead time = 4- 6 weeks

Reorder quantity= 30, 000 units

Required;

Calculate;

- i) Re order level
- ii) Minimum stock level
- iii) Maximum stock level
- iv) Average stock (10 marks)