



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
PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

COST ACCOUNTING

DATE: 8/12/2016

TIME: 8:30 – 10:30 AM

INSTRUCTIONS:

Answer question ONE and any other TWO

QUESTION ONE

- a) Suppose your duty as a cost accountant in the organization is to accumulate costs. Explain the importance of cost information to the following:
- Managerial accountant
 - Financial accountant
 - Government agencies
 - Top management
- (8 marks)
- b) Explain the following terms as used in the study of cost accounting:
- Cost driver
 - Cost center
 - Costing system
- (6 marks)
- c) Identify and explain the three types of inventories found in a manufacturing firm.
- (6 marks)
- d) With two examples each, explain five bases of cost classification
- (10 marks)

QUESTION TWO

- i) Differentiate between product costs and period costs. (4 marks)
ii) Explain the flow of costs in a manufacturing firm. (16 marks)

QUESTION THREE

During the year 2012 ABC Ltd, a manufacture of product X incurred the following costs:

	Ksh.
Raw material purchased	850,000
Direct labour	150,000
Manufacturing overhead costs	250,000

Additional information:

1. The opening balances of inventory were:

	Ksh.
WIP	120,000
Raw material	80,000
Finished goods	180,000

2. During the year 2012

- The cost of raw material consumed was Ksh. 450,000
- Goods costing Ksh. 750,000 were completed and transferred to finished goods inventory
- Goods costing Ksh. 400,000 were sold at Ksh.650,000

Prepare the following accounts

- i) WIP
ii) Raw material
iii) Finished goods
iv) Receivables (20 marks)

QUESTION FOUR

The following data relates to a firm that undertook two production jobs; Job A and Job B

1. Direct material:

Job A	Ksh. 350,000
Job B	Ksh. 480,000

2. Direct labour hours:

Job A 1,200 hours

Job B 1,500 hours

3. Direct labour cost incurred was Ksh. 200 per direct labour hour

4. Manufacturing overheads were applied at the rate of Ksh. 150 per direct labour hour

- i. Determine the total cost incurred in each job
- ii. Suppose the number of units produced were 500 and 400 units in job A and Job B respectively. Calculate the unit cost per job.
- iii. If the firm's profit margin is 40% on cost. Determine the total revenue received by the firm. (20 marks)

QUESTION FIVE

Job order costing uses a job sheet to accumulate costs. Identify and explain the major sections of the job sheet and draw its format of showing all the sections. (20 marks)