



MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)
University Examinations for 2015/2016 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT
SCIENCES

SECOND SEMESTER EXAMINATION FOR DIPLOMA IN SUPPLIES
MANAGEMENT

COST ACCOUNTING

Date: 2/8/2016

Time: 8:30 – 10:30 AM

INSTRUCTIONS

Answer question **ONE** (*Compulsory*) and any **other two** questions

1.
 - (a) Discuss five reasons why cost accounting is carried out in organization. (10 marks)
 - (b) Outline the classification of overheads (8 marks)
 - (c) The following information was obtained about a raw materials X which is used in the manufacture of an industrial detergent.

Normal consumption	= 400units per week
Re-order quantity	= 2000 units
Re-order period	= 2-4 weeks
Maximum Consumption	= 500 unit per week
Minimum consumption	= 200units per week

Required:

Calculate:

 - (i) Minimum stock level (4 marks)
 - (ii) Maximum stock level (4 marks)
 - (iii) Re-order level (4 marks)
2.
 - (a) Using an example to illustrate your answer, distinguish between Marginal and Direct costing techniques (10 marks)

- (b) Wambua and Mutua are both employees of company X. they were assigned a similar task, where time allowed was 5hours. The rate of pay was sh. 300 per hour. Wambua took 2 hours to complete the job while Mutua took 4 hours.

Using the Halsey (and Halsey weir) Calculate the damp earning for each of them.

(10 marks)

3. (a) Company XYZ ltd use a raw material P to manufacture its product. The following data was obtained in relation to the raw material P during the month of September 2014.

1st sept: Purchased 10,000 Units @ sh. 50/- per unit

4th Sept: Purchased 11,000 Units @sh. 62 - per unit

7th Sept: purchased 9,000units @ sh.60 per unit

10th Sept: issued 16,000 Unit to production

16th Sept Purchased 13,000Units @sh. 65 per unit

18th Sept: Purchased 15,000units @sh.68 per unit

20th Sept: Issued 23,000 Units to production

24th Sept Purchased 22,000 units @sh.62/= per unit

28th Issued 24,000 units to production

Required:

Calculate the value of material issues to production and closing stock using:

- (1) FIFO method (7 marks)
 (2) Weighted Average price method (7 marks)
 (b) Discuss two methods of remunerating labour (6 marks)

4. (a) The following information was obtained in relation to Contract R for period ended 31.12.2014

	Kshs(000)
Contract price	500,000
Direct material issued	92,000
Material returned to store	600
Direct labor payment	50,000
Accrued wages (Dec 31)	3,000
Plant installed at cost	48,000
Establishment changes	24,000
Direct expenses	15,000
Direct expenses Accrued	2,500
Value of Work certified	175,000
Value of work not certified	80,000
Value of plant on site (31/12)	11,500
Material on site Dec 31	22,300
Cash received	100,000

Required:

- a) Prepare contract R Account as at 31.12.2014 (12 marks)
- b) State and explain 5 methods of apportioning overheads to departments (8 marks)

5. (a) Company XYZ has set out the standard cost for producing one unit of output as follows:
Raw materials: 6 units @ 15/- per unit
Labour: 3 hours @ 200/- per hour
The estimated production was 10,000 units per month.
However the following took place during the month of July 2014.
Actual production: 12,000 units
The actual cost per unit was established as follows:
Raw materials: 8 units @ 13/- per unit
Labour: 3 hours @ 220/- per hour

Required:

- a) Calculate
- i) Material usage and Price Variance (5 marks)
- ii) Labour rate and efficiency variance. (5 marks)
- b) Company B produces a product X, where the variable cost of production per unit has been analyzed as follows:

	Kshs
Materials	10
labour	6
Expenses	<u>4</u>
Total	<u>20</u>

The total fixed production costs have been established as Ksh.300, 000

Assuming that the product is sold at a unit price of Ksh.30, calculate the break-even point in:

- (a) Shillings (5 marks)
- (b) Units (5 marks)