



MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

SECOND YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR

DIPLOMA IN ACCOUNTANCY

COST AND MANAGEMENT ACCOUNTING

DATE: 26/9/2019

TIME: 2.00-4.00 PM

INSTRUCTIONS: Attempt Question One and any other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Explain THREE purposes of Cost Accounting (6 marks)
- b) Prepare a cost statement from the following information (10 marks)
- | | Sh. |
|-----------------------------------|---------|
| Raw materials | 130,000 |
| Direct labour | 38,000 |
| Factory rent | 15,000 |
| Power | 5,000 |
| Supervisor's salary | 20,000 |
| Administration expenses | 20,000 |
| Selling and distribution expenses | 15,000 |
- c) Explain THREE differences between cost accounting and management accounting (6 Marks)
- d) Explain any THREE types of standards that can be used in an organization (6 Marks)
- e) Distinguish between marginal costing and absorption costing (4 Marks)

QUESTION TWO (20 MARKS)

The trading results of Sema company Ltd for the first year of business which ended 31st December 2017 are expected as follows;

	Ksh	ksh
Sales at (ksh. 5 per unit)		400,000
Less;		
Materials	160,000	
Labour	64,000	
Variable overheads	40,000	
Fixed overheads	60,000	324,000
Profit		76,000

During the year 2018, the factory worked at 50% capacity and the marketing manager has estimated that the quantity sold could be doubled in 2019 if the selling price is reduced to ksh. 4 per unit. No change is anticipated in unit variable cost, but certain administrative changes to cope with the additional volume of work increases fixed overheads by ksh.10,000

- Evaluate the marketing manager`s proposal
- Assuming the marketing manager`s proposal is implemented, calculate what quantity would be sold in 2019 to yield a profit of ksh. 105,000 (20 marks)

QUESTION THREE (20 MARKS)

- The following information is available in relation to Zigoma co. Ltd.

Actual hours worked	4000 hrs.
Standard rate per hour	Sh. 12
Actual wages paid	Sh. 60,000
Standard time allowed/Unit of output	30 mins
Standard price per kg	Sh. 2
Actual price per kg	Sh. 3
Actual output	20,000 units
Standard quantity allowed	18,000 Kgs
Actual quantity used	20,000 Kgs
Actual quantity purchased	21,000 Kgs

Required:

- Material price variance (2 Marks)
- Material usage variance (2 Marks)
- Labour rate variance (2Marks)
- Labour efficiency variance (2 Marks)

- v) Material cost variance (2 Marks)
vi) Labour cost variance (2 Marks)
- b) State and explain FOUR essentials of effective budgeting. (8 Marks)

QUESTION FOUR (20 MARKS)

- a) Explain the following terms as used in cost accounting.
- i. Cost unit (2 Marks)
 - ii. Cost center (2 Marks)
 - iii. Cost allocation (2 Marks)
 - iv. Cost apportionment (2 Marks)
 - v. Profit centre (2 Marks)
- b) Explain FIVE benefits of functional budgets (10 Marks)

QUESTION FIVE (20 MARKS)

- a) The following transactions relate to Material QZP for the month of October 2018

Date	Purchases	Issues	Cost per unit
October			
2	550	—	200
3	600	—	220
9	—	500	—
11	700	—	260
12	—	600	—
16	—	400	—
19	900	—	280
24	—	500	—
25	400	—	300
30	—	300	—
31	—	300	—

Required:

Prepare the stores ledger card using First in First Out (FIFO) method of stock valuation. (11 Marks)

- b) The following information relates to work done by James and John in a manufacturing firm: Hours allocated for the work are 80 and the hourly rate is Sh. 400. James took 45 hours while John took 56 hours to complete the job.

Required:

Compute the total wages to be paid to each worker under Rowan bonus scheme. (9 Marks)