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 1st 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 quality 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) **E**xplain 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)