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

DPS 111: COST ACCOUNTING

Date: 1/8/2016 **Time: 2:00 – 4:00 PM**

INSTRUCTIONS

Answer Question One and any Other Two Questions

QUESTION ONE

a) It is said that cost accounting is a managerial information tool. Compare and contrast this statement given that financial accounting seems to claim the same to a large extent. Give five points to justify your argument. (10 marks)

b) Explain briefly the differences between the following : (10 marks)

i. Opportunity cost and sunk costs
ii. Product cost and period costs
iii. Controllable and & uncontrollable costs
iv. Budgeted cost and predetermined costs.

c) The following information was extracted from the books of K Ltd.

Direct material (all variable)	Kshs 600,000/=
Labour costs (10% fixed)	Kshs 500,000/=
Maintenance costs (50% fixed)	Kshs 9000,000/=
Rent (all fixed)	Kshs 540,000/=
Overheads (30% fixed)	Kshs 840,000/=

Required

a) Determine the cost estimation equation using account analysis method in the form of $Y= a+bx$ (6 marks)

b) Using the equation developed above, estimate the total cost of producing 3,500 units. (2 marks)

c) Using the equation above, establish the number of units to be produced if the Company had budgeted that the total cost is kshs 4.8 Million (2 marks)

QUESTION TWO

a) Briefly explain five functions of budgeting (10 marks)

b) The sales forecast for ABC Co. Ltd's products for the coming year has been made as follows:-

Products	Sales (units)
A	1,000,000
B	20,000

The selling price is Kshs 20 for A and Kshs 10 for B.

Required: Prepare the sales budget fo ABC Co. Ltd (10 marks)

QUESTION THREE

a) Briefly underscore the underlying differences between absorption and marginal costing. (4 marks)

b) Comore Co. Ltd produces and sells a single product. Selected costs from operation date relating to the products for a recent year are given below.

Units produced during the year	10,000
Units sold during the year	8,000
Ending inventory (Units)	2,000
Selling price per Unit	50/=
Selling Administration costs	
- Variable per Unit	kshs 5/=
- Fixed costs for the year	Kshs 70,000/=
Manufacturing costs.	

Veriable per Unit – direct materials	Kshs. 11
- Directlabour	Kshs6
- Variable overheads	Kshs.3
	Kshs. 20

- Fixed costs per year Kshs 100,000

Required:-

Prepare income statement under marginal costing methods (16 marks)

QUESTION FOUR

a) Explain four C-V-P analysis assumptions (8 marks)

b) A Company makes a single product with sale price of kshs 10 and marginal cost of kshs 6. Fixed costs are shs 60,000 per year

Calculate:

i) Number of Units to break even (6 marks)

ii) Sales at break – even (2 marks)

iii) What number of Units will need to be sold to achieve a profit of Kshs 20,000 (2 marks)

iv) What level of sales will achieve a profit of sh 20,000 (2 marks)

QUESTION FIVE

a) Describe the meaning of cost accounting (3 marks)

b) Give six examples of costing information and its uses (12 marks)

c) Explore the main five purposes of cost accounting (5 marks)