



MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

SECOND YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE

BAC 202: COST ACCOUNTING 1

DATE:

TIME:

INSTRUCTIONS: Attempt Question One and any other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Under a premium bonus scheme, workers received a guaranteed basic hourly minimum rate of pay plus a bonus of 50% of the time saved. No payment is paid beyond the time allowed but the bonus which is paid at the basic hourly rate is applicable to the accepted output only. No penalty is imposed on rejected output.

The following details are available for the month of January 2003

Worker	A	B	C
Time allowed per unit (hrs)	$\frac{1}{4}$	$\frac{1}{6}$	$\frac{1}{2}$
Units produced	474	684	175
Units rejected	54	84	25
Time taken (hrs)	78	72	80
Basic Pay per hour (Kshs)	6	6	3

Required

From the above information calculate for each employee

- a) i) Bonus hours and amount of bonus paid
ii) Gross wages earned
iii) Labour cost for each good unit sold (20 marks)

- b) Outline the procedure that may be followed in installing a cost accounting system. (4 marks)
- c) State three main features of contract costing. (3 marks)
- d) State three advantages of regression analysis as a method of cost estimation. (3 marks)

QUESTION TWO (20 MARKS)

- a) GEMA 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 December, 2018;

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%	20%	-	20%
S2	40%	20%	30%	10%	-

Prepare a statement showing the total overhead to be absorbed by each production department. (12 marks)

- b) Explain four disadvantages of piece rate method of computing wage. (8 marks)

QUESTION THREE (20 MARKS)

The following information relates to SEMA 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 2018;

Units

Production

Stocks (1.1.2018) 133,000

Stocks (31. 1. 2018) 27,000

a) 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 QP, 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)

The following information relates to item P003 stocked by 2000 products Ltd for the month of April 2017:

	Receipts	Issues	
Date	Units	Units	Unit cost (Sh)
April 3	2,400		18
4		3,200	
6	2,600		20
12		2,700	
14	3,000		22
18	2,800		21
20		2,200	
22	2,600		23
25		3,800	
26	3,100		24
27	2,500		25
28	3,200		26
29		6,900	

The closing balance for March 2017 was a batch of 3,000 units received at a unit price of Sh 19.

Required:

- a) Stores perpetual inventory record for item P003 for May 2017 under LIFO system of stores issues. (14 marks)
- b) Closing stock valuation. (6 marks)