



MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

FIRST YEAR SECOND SEMESTER EXAMINATION FOR

DIPLOMA IN ACCOUNTANCY

DACC 115: COST ACCOUNTING

DATE: 6/5/2019

TIME: 11.00-1.00 PM

INSTRUCTIONS: Attempt Question One and any other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

- 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)

- a) Explain five conditions for an effective and successful costing system (10 mks)
- b) Vunyula Co-operative Society deals in gunny bags. The following transactions took place during the month of December 2011.

December 1	500 bags were in stock valued at Ksh 12 each
4	Issued 400 bags
6	Purchased 300 bags at Ksh 15 each
10	Purchased 600 bags at Ksh 20 each
14	Issued 500 bags
18	Issued 200 bags
27	Purchased 700 bags at Ksh 22 each
31	Issued 400 bags

The market price of a bag on 31 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)

QUESTION THREE (20 MARKS)

The following information relates to Kameme cement manufacturing company;

Year	units of cement produced	Manufacturing overheads
2012	40,000,000	500,000,000
2013	65,000,000	600,000,000
2014	30,000,000	495,000,000
2015	90,000,000	700,000,000
2016	50,000,000	550,000,000

- i) Using High- Low method, 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 85,000,000 units of cement. (20 marks)

QUESTION FOUR (20 MARKS)

- a) The following information is provided for material DXQ 444.

Maximum consumption 500 units per week

Minimum consumption 300 units per week

Re-order period or lead time 2-4 weeks

Re-order quantity 10,000 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)

Machakos manufacturing company provides the following information for the month of January 2013.

Stock on 1 st January 2013	Shs
Raw materials	20,000
Work-in-progress	6000
Finished goods	10,000
Stock on 31 st 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)