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 DEGREE IN BACHELOR OF COMMERCE

BAC 301: INTRODUCTION TO COST ACCOUNTING

Date: 3/12/2015 **Time: 2:00 – 4:00 PM**

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1. (a) Discuss five reasons only Cost Accounting is carried out in organization. (10 marks)

   (b) Outline three classification of overheads. (8 marks)

   (c) The following information was obtained about a component X, which is used by Company B for the manufacture of an Industrial detergent.

Normal consumption	=	400 units per week
Re-order quality	=	2000 units
Re-order period	=	2 – 4 weeks
Maximum consumption	=	500 units per week
Minimum consumption	=	200 units per week

   Calculate
   (i) Minimum stock level (4 marks)
   (ii) Maximum stock level (4 marks)
   (iii) Re-order level (4 marks)

2. (a) Discuss the two methods of remunerating labour. (6 marks)

   (b) Wambua and Mutua are both employees of company X. They were assigned a similar task, where time allowed was 5 hours. The rate of pay was a 300 per hour. Wambua took 2hours to complete the job while Mutua took 4 hours.

Using the Halsey (and Halsey weir premium bonus scheme) compute the day earnings for each of them. (10 marks)

3. Company XYZ Ltd use a raw material P to manufacture its products. The following data was obtained in relation to the raw material P during the month of September 2014.

1st September Purchased 9,000 units @ shs 50 per unit

4th September Purchased 12,000 units @ shs 62 per unit

7th September Purchased 8,000 units @ shs 60 per unit

10th September Issued 18,000 units for production

16th September Purchased 10,000 units @ shs 65 per unit

18th September Purchased 6,000 units @ shs 68 per unit

20th September Issued 20,000 units for production

24th September Purchased 22,000 units @ shs 62 per unit

28th September Issued 24,000 units for production

Required:

Calculate the value of material issued to production and hence the value of closing stock unit using:

(i) FIFO welfare (10 marks)

(ii) Weighted average welfare (10 marks)

4. The following information was obtained in relation to contract T, for period ended 31.12.2014

Contract price	400,000
Direct materials issued	55,000
Materials returned to store	600
Direct labour payment	50,000
Accrued wages	3,000
Plant installed at cost(1.1.14)	48,000
Establishment charges	24,000
Direct expenses	15,000
Direct expenses accrued	2,500
Value of Work certified	180,000
Value of work not certified	70,000
Value of plant at site(31.12.14)	11,500
Materials on site Dec 31	1,300
Cash received	160,000

Required: Prepare contract T account as at 31.12.2014

5. (a) State and explain 5 methods of apportioning overheads to departments. (10 marks)

(b) Company B produces a product X, where the unit costs have been analyzed as follows:

Direct materials	ksh 8
Direct labour	Ksh 4
Direct expenses	Ksh 2
Total	Ksh 14

The total monthly fixed costs have been estimated at Ksh 240,000.

Assuming that the product is sold at a price of kshs 20, calculate the break-even point

a) Shillings (5 marks)

b) Units (5 marks)