CHUKA   **UNIVERSITY**

UNIVERSITY EXAMINATIONS

SECOND YEAR EXAMINATIONS FOR THE AWARD OF

BACHELOR OF SCIENCE (COMMUNITY DEVELOPMENT)

AGBM 210: COSTING AND ACCOUNTING FOR PROJECTS

STREAMS: BSC (CDEV) Y2S2   **TIME: 2 HOURS**

DAY/DATE: TUESDAY 23/4/2013   **2.30 PM – 4.30 PM**

INSTRUCTIONS:

ANSWER QUESTION <u>ONE</u> AND <u>TWO</u> OTHER QUESTIONS.

QUESTION ONE: (30 MARKS)

(a)   Outline the role of accounting in the management of projects.   [6 Marks]

(b)   The following trial balance was extracted from the books of Mr. Josiah, an entrepreneur
        in Meru town as on 31st December 2009.

	Dr	Cr
Land and Buildings	8000	
Motor vehicle	6000	
Stock (1.1.2009)	3000	
Sales		50000
Returns inwards	2000	
Returns outwards		1000
Discount received		2000
Discount allowed	1500	
Debtors	5000	
Furniture	4000	
Bad debts	2000	
General expenses	3000	

Salaries & wages	4000	
Drawings	12000	
Capital		8500
Loan		10000
Creditor s	_____	7000
	78500	78500
	=====	=====

Additional information:

(i)   Closing stock amount to Sh. 2000
(ii)   Depreciation is provided on motor vehicles and furniture at 10% on cost.

Required:

Prepare a trading profit and loss account for Mr. Josiah's business for the year ended
31/12/2009.   [12 Marks]

(c)   (i)   Describe six desirable characteristics of a successful incentive wage plan.
                                                                           [6 Marks]

       (ii)   The finance department of CAD project operates Halsey Weir bonus scheme for
              its workers. During the week ended 3rd February 2011, Galonel (an employee)
              whose hourly rate of pay is Sh.18 was assigned the following jobs for which he
              completed.

Job No	Time Taken	Time Allowed
J 130	38	45
J 140	30	40

       Required:

       Compute Gabriel's total remuneration for the week.   [6 Marks]

QUESTION TWO (20 MARKS)

(a)   Prepare a duly balanced three column cash book for J, Mukaria given the
       transactions below.   [7 Marks]

2013:   January   1st :   Balance b/f – cash 5000
                                                - Bank 1500 Dr
               3rd :   Cash sales Sh. 6400
               12th :   Banked cash sh.7000
               18th :   Paid mwenda, a supplier his account of
                              SH. 8000 by cheque after deducting 2%
                              cash discount.
               20th :   Received Sh.3000 in cash from sera (a
                              debtor) after allowing her sh.50 cash
                              discount.
               21st :   Paid rent sh. 4000 by cheque
               25th :   Banked all cash except sh.1000 for
                              emergency.

(b)   Explain the following stock control levels.

        (i)   Economic order quantity
        (ii)   Minimum stock level
        (iii)   Re-order level
        (iv)   Maximum stock level   [8 Marks]

(c)   The following information relates to material used for production project.

        Annual requirements   1.0 million units
        Ordering costs   Sh. 1000 per order
        Holding costs   Sh. 100 per unit
        Safety stock   None

        Calculate:

(i)   The EOQ   [2 Marks]

(ii)   Number of orders in one year   [1 Mark]

(iii)   Total cost of the material (disregard stock – out cost)   [3 Marks]

QUESTION THREE (20 MARKS)

(a)   Explain the distinction between the following cost classifications

        (i)   Fixed cost and variable cost
        (ii)   Direct cost and indirect cost
        (iii)   Controllable cost and non-controllable cost   [6 Marks]

(b)   Kate had the following assets and liabilities as on 30th April 2012.

	Ksh
Creditors	39500
Equipment	11500
Motor vehicles	62900
Stock	61500
Debtors	57700
Cash at bank	172800
Cash in hand	4000

During the first week of May 2012, Kate:

(i)   Brought stock on credit from Njoka fashion store sh. 70,000

(ii)   Paid rent by cheque sh.8000

(iii)   Received sh. 30,000 by cheque from debtors.

(iv)   Paid creditors sh. 20,000 by cheque.

(v)   Purchased new equipment by cash sh. 4000

(vi)   Obtained one year loan form family bank sh.150,000 through business bank account.

(vii)   Sold stock worth sh. 80,000 on credit to Mwangi.

(viii) Withdrew sh.1000 from bank for personal use.

(ix)   Put in business an extra sh. 20,000 cash as capital.

Required:

(i)   Compute Kate's capital as at 30th April 2012.   [2 Marks]

(ii)   Draw up a statement of financial position as on 7th May 2012 after the above transactions have been completed.   [6 Marks]

QUESTION FOUR (20 MARKS)

(a)   Identify five users of accounting information and explain their specific needs.
                          [5 Marks]

(b)   Explain the following accounting concepts and conventions

        (i)   Business entity concept
        (ii)   Cost concept

      (ii)   Materiality
      (iv)   Accounting period   [8 Marks]

(c)   What factors should be considered while designing an effective costing system?
                                                                   [7 Marks]