# JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY <br> SCHOOL OF BUSINESS AND ECONOMICS <br> UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION - WITH IT <br> $2^{\text {ND }}$ YEAR $2^{\text {ND }}$ SEMESTER \& $3^{\text {RD }}$ YEAR $1^{\text {ST }}$ SEMESTER 2013/2014 ACADEMIC YEAR KISUMU L. CENTRE 

COURSE CODE: ABA 209/BLM 3316

COURSE TITLE: COST ACCOUNTING
EXAM VENUE:LR
STREAM: (BBA )

DATE: 21/8/14
EXAM SESSION: 9.00-11.00AM
TIME: 2 HOURS

Instructions:

1. Answer question 1 (compulsory) and any other 2 questions .
2. Candidates are advised not to write on the question paper.
3. Candidates must hand in their answer booklets to the invigilator while in the examination room.

## QUESTION ONE:

Gumbaru ltd makes a chemical that passes through three production processes 1,2 and 3.In the month of October 2014, 5,000 litres of the basic raw material priced at shs 120,000 were introduced into process 1.Subsequently the following costs were incurred:

## Process 1:

Direct labor shs 80,000
Direct expenses shs 30,000
At the end of the process, 4,800 litres were passed onto process 2 .

## Process 2:

Additional raw materials shs 66,300
Direct labor shs 60,000
Direct expenses shs 24,000
At the end of the process, 4,700 litres were passed onto process 3 .

## Process 3:

Additional raw materials shs 25,680
Direct labor shs 20,000
Direct expenses shs 4,800
At the end of the process, 4,680 litres were passed onto finished goods store.
Normal process loses for each of the three processes is:
Process 1-3\%, Process 2-2.5\% and Process 3- 0\%
The loss in each process resulted from evaporation due heating or due to spoilage and hence nothing of value could be from these losses. There were no stocks of materials or work in progress at the beginning of or end of the month. The output of each process passes directly to the next process at cost without any provision for internal profit. Manufacturing overheads are absorbed by each process at $25 \%$ of direct labor cost.

## Required:

a) Prepare process accounts for all the three processes
b) Extract abnormal loss and abnormal gain accounts

## QUESTION TWO

1. Define the following terms
a) Cost Accounting
b) Financial Accounting
c) Management accounting
2. Briefly describe the purpose of Cost Accounting.
3. Compare and contrast Cost Accounting and financial Accounting
(20 Marks)

## QUESTION THREE:

From the following information relates to Progressive Company that manufactures bolts for engineering works. It uses two components of materials ie X and Y .

| Particulars | Component X | Component Y |
| :--- | :--- | :--- |
| Maximum consumption per <br> week | 75 Units | 75 Units |
| Average consumption per <br> week | 50 Units | 50 Units |
| Minimum consumption per <br> week | 25 Units | 25 Units |
| Reorder period | $4-6$ Weeks | $2-4$ Weeks |
| Reorder quantity | 40 Units | 600 Units |

Required:
For ease of production control for each component, compute:
a) Reorder level
b) Minimum stock level
c) Maximum stock level
d) Average stock level

## QUESTION FOUR:

LMN ltd sells its products at Rs3 per unit. The company uses First in First out actual costing system. A new fixed manufacturing overhead allocation rate is computed each year by dividing the actual fixed manufacturing overhead cost by the actual production costs. The following simplified data are related to its first two years of its operation:

| Details | Year 1 | Year 2 |
| :--- | :--- | :--- |
| Unit Data |  |  |
| $-\quad$ Sales | 1,000 | 1,200 |
| $-\quad$ Production | 1,400 | 1,000 |
| Costs | Rs | Rs |
| $-\quad$ Variable Manufacturing | 700 | 500 |
| $-\quad$ Fixed Manufacturing | 700 | 700 |
| $-\quad$ Variable marketing and administration | 1,000 | 1,200 |
| $-\quad$ Fixed marketing and administration | 400 | 400 |

## Required:

Prepare income statements based on:
a) Absorption costing and
b) Variable costing for each year
c) Give reasons for the difference in the answer to $a$ and $b$ above.
(20 Marks)

## QUESTION FIVE:

a) What are the main bases of overhead apportionment? ( 5 marks)
b) From the following information, you are required to calculate:
a. Material price variance
b. Material usage variance and
c. Material cost variance

- Quantity of materials purchased 3,000 units
- Value of materials purchased $\$ 9,000$

Standard of quantity of materials required for one tone of finished product:

- Standard rate of material: $\$ 2$ per unit
- Opening stock of material: Nil
- Closing stock of material: 500 units
- Finished production during the period: 80 Tones

