



Jaramogi Oginga Odinga University of Science and Technology

University Examination

Bachelor of Business Administration

Second Year Second Semester

University Examination

BBA 209: COST ACCOUNTING

INSTRUCTION

Answer QUESTION ONE (COMPULSORY) and any other TWO QUESTIONS

QUESTION ONE

a. Define the following terms

- i. Operation costing (1Mark)
- ii. Absorption costing (1Mark)
- iii. Marginal costing (1Mark)
- iv. Cost unit (1Mark)
- v. Cost centre (1Mark)
- vi. Profit centre (1Mark)
- vii. Cost behaviour (1Mark)

From the following information, prepare a cost statement.

<u>Stock at 1st January, 2012</u>	Shs	
Raw materials	45,000	
Work-in-progress	22,000	
<u>Stock on 31 December 2012</u>		
Raw materials	65,000	
Work-in-progress	19,000	
Purchase of raw materials	670,000	
Carriage inwards	25,000	
Return of raw materials	15,000	
Direct wages	280,000	
Factory rent	60,000	
Power	48,000	
Depreciation of plant	35,000	
Supervisor's salary	55,000	
Office salaries	70,000	
Depreciation of office equipment	5,000	
Salesmen's salaries	68,000	
Delivery van expenses	27,000	
Depreciation of delivery vans	18,000	
Advertisement	12,000	(10 Marks)

b. The following information is provided for material P.Q 251

- Maximum consumption 6,000 units per week
- Minimum Consumption 4000 units per week
- Re-order period – Lead time 4-6 weeks
- Re-order quantity 30,000 units

Required: Calculate

- i. Re-order level (2 Marks)
 - ii. Minimum stock level (2 Marks)
 - iii. Maximum stock (2 Marks)
 - iv. Average stock level (2 Marks)
- c. Give five differences between financial accounting and cost accounting (5 Marks)**

(TOTAL 30 MARKS)

QUESTION TWO

- a. Explain at least **EIGHT** main purposes of cost accounting **(8 Marks)**
- b. The overheads of a manufacturing company were shs 250,000 for a specific period. Total output was 50,000 units. The following information was also provided:-

Material cost	shs 500,000
Labour cost	shs 25,000
Number of machine hours	20,000

Required:

Calculate the overhead absorption rates using the following methods

- i. Units of output **(2 Marks)**
- ii. Direct labour hours **(2 Marks)**
- iii. Direct machine hours **(2 Marks)**
- iv. Percentage of material cost **(2 Marks)**
- v. Percentage of labour cost **(2 Marks)**
- vi. Percentage of price cost **(2 Marks)**

(TOTAL 20 MARKS)

QUESTION THREE

- c. Write a short note on cost accumulation **(2 Marks)**
- d. Discuss the main elements of cost **(6 Marks)**

What is costs classification and explain the various types of cost classifications. **(6 Marks)**

Define costing methods and show the various methods in form of diagram and explain briefly in each of them. **(6 Marks)**

QUESTION FOUR

- a. A company has an annual demand for material 'P' of 25,000 tons per annum. The cost price ton is shs.2000 and stockholding cost is 25% per annum of the stock value. Delivery cost per batch is sh 400.

Required

Calculate the economic order quantity **(2 Marks)**

- b. The following details were extracted ledger card of a small manufacturing company during the month of May 2013.

May 2, received 500 units at shs 20 each
May 8, Received 300 units at 22 each
May 10, issued 400 units

May 15, issued 200 units

May 20, Received 600 units at shs 25 each

May 25, issued 300 units

May 27, Received 200 units at shs 26 each

May 30, issued 100 units

Standard price for each unit for the month of May is sh 24.

Market price of this material on June 3, is sh 27 per unit and 400 units were purchased on that day.

Required

Prepare a store ledger card and show the value of closing on 30th may 2013

Enter the following

- i. First in first out (FIFO) **(6 Marks)**
- ii. Last in first out (LIFO) **(6 Marks)**
- iii. Standard price **(6 Marks)**

QUESTION FIVE

a. The following information is available from a manufacturing company:-

Total overhead	shs 600,000
Total direct wages	shs 480,000
Total direct material costs	shs 500,000
Direct labour hours	shs 75,000
Direct machine hours	shs 50,000
Unit of output	shs 750,000

Calculate the following **SIX** overhead absorption rates .

- i. Units of output **2 Marks)**
- ii. Direct labour hours **(2 Marks)**
- iii. Direct machine hours **(2 Marks)**
- iv. Percentage of material cost **(2 Marks)**
- v. Percentage of direct wages **(2 Marks)**
- vi. Percentage of prime cost **(2 Marks)**

b. O. Robert produced 600 units in a week but 40 units were rejected. Time allowed per unit is 6 minutes. No payment is made beyond the time allowed but the bonus is paid on accepted units only. No penalty is imposed on the rejected units. O. Robert produced 600 units in 48 hours. His wage rate per unit is Sh 15.

Required:

Calculate his total wage on, the basis of Halsey Bonus scheme.

(5 Marks)

- c. .A company has an annual demand for material 'P' of 25.000 tons per annum. The cost price ton is shs.2000 and stockholding cost is 25% per annum of the stock value. Delivery cost per batch is sh 400.

Calculate

The economic order quantity

(3 Marks)

Calculate the economic order quantity

(3 Marks)

School of Business and Economics

Jaramogi Oginga Odinga University of Science and Technology (MAIN)

Bachelor of Business Administration with IT

ABA 209: Cost Accounting

Course Outline: May – August, 2014

Instructor: Allan Okwenda Asola

Class meets: Friday

Room: LR 1

The course aims at developing the candidates understanding and application of costing and techniques to organisations:-

- ✓ be able to determine the costs of various products and services
- ✓ Nature and Purpose of Cost Accounting
- ✓ Cost Classification and Estimation
- ✓ Marginal and Absorption Costing
- ✓ Cost Accounting Systems
- ✓ Standard Costing
- ✓ Determine cost of various products and services

Course Outline

WEEK

Nature and Purpose of Cost Accounting

One & Two

Introduction

- ✓ The field of Accounting
- ✓ Financial Accounting
- ✓ Limitation of Financial Accounting
- ✓ Cost Accounting
- ✓ Difference between cost accounting and financial accounting
- ✓ Relationship between cost accounting and financial accounting
- ✓ Management Accounting
- ✓ Role of Cost Accounting
- ✓ The nature of cost accounting
- ✓ The purposes of cost accounting information
- ✓ Cost Accumulation

Elements of Cost and Cost Statement

Three, Four & Five

- ✓ Defination of cost classification
- ✓ Raw Material
- ✓ Laour
- ✓ Overheads
- ✓ Fixed and variable overhead
- ✓ Direct and indirect costs
- ✓ Cost classification by function
- ✓ Prime cost
- ✓ Cost Statements

The scope of cost accounting

Six & Seven

- ✓ Cost ascertainment
- ✓ Costing Methods
 - Job costing
 - Operation costing
- ✓ Costing Techniques
 - Absorption costing
 - Marginal costing
 - Budgetary control
 - Standard costing
- ✓ Costing systems
 - Historical costing
 - Standard costing
 - Uniform costing

Purchasing Procedure and Issue of Materials

Eight& Nine

- ✓ Materials and its classification
- ✓ Purchasing procedure
 - Purchase requisitions
 - Letter of inquiry

- Quotations
- The purchase order
- Receipts if goods
- ✓ Issue of Materials
 - Material requisition note
 - Material issue note
 - Material transfer note

Store – keeping and Stock Control

Ten

- ✓ Types of stores
 - Centralised stores
 - Decentralised stores
 - Imprest stores

Stores records

- ✓ Stores ledger
- ✓ Bin cards
- ✓ Stock takig
- ✓ Perpetual inventory
- ✓ Periodic stocktaking
- ✓ Continuous stock taking
- ✓ .Stock control
- ✓ Stock level

Methods of valuing material issues

Eleven

- ✓ FIFO
- ✓ LIFO
- ✓ Simple average
- ✓ Weighted average
- ✓ Base stock
- ✓ Replacement stock
- ✓ Standard price
- ✓

Labour costing

Twelve

- ✓ Classification of labour cost
- ✓ Costing for labour
- ✓ Methods of computing wages
- ✓ Premium bonus schemes
- ✓ Wages control

✓ Accounting fo labour

Allocation and Apportionment of overheads

Thirteen

Overhead allotment
Bases of apportionment

Apportion of overhead

Fourteen

Overhead absorption methods

REFERENCES

Terry Lucey (2003), *Management Accounting*, Publisher Book Power(United Kingdom)

Collins Drury (2004), *Management and Cost Accounting*, Publisher Book Power (United Kingdom)

N.A. Saleemi: *Cost Accounting Simplified(Revised and Updated) 2012 ACME Press (Kenya) Ltd*

G. Brown, *Cost and Management Accounting*

NB: Please Consult the Librarian for more E- Resources

SignedLecturer

Signed HOD Accounting and Finance