



KISII UNIVERSITY
UNIVERSITY EXAMINATIONS

MAIN CAMPUS

SECOND YEAR EXAMINATION FOR THE AWARD OF THE DEGREE OF
BACHELOR OF COMMERCE/BUSINESS MANAGEMENT/
PURCHASING AND SUPPLIES MANAGEMENT
FIRST SEMESTER, 2015/2016
(SEPTEMBER -DECEMBER, 2015)

BBAM BCOM 210: COST ACCOUNTING /MANAGEMENT ACCOUNTING 1
STREAM: BCOM/BBAM Y2 S1 **TIME: 2 HOURS**

DAY: TUESDAY, 1.00-3.00 PM

DATE: 01/12/2015

INSTRUCTIONS

1. Do not write anything on this question paper.
2. Answer question ONE [1] [COMPULSORY and any other TWO [2].

QUESTION ONE

- a) Sunshine Ltd., uses job costing. The following data is provided from its books for the year ending 31st Dec 2004

	KSH
Direct materials	300,000
Direct wages	150,000
Factory overheads	165,000
Administration overheads	165,000
Selling and distribution overheads	120,000
Profit	225,000

- i) Prepare a job cost sheet indicating prime cost, works cost, production cost, cost of sales and sales value (6mks)
- ii) In 2005, the company received an order for a number of jobs. It is estimated that direct materials required will be Ksh 420,000 and direct labour cost Ksh 180,000. What price the company should charge for these jobs if the company intends to earn the same rate of profit on sales as in 2004 assuming that selling and distribution overheads have gone down by 45%? the company recovers the factory overheads as a percentage of direct wages

and administration and selling overheads as a percentage of works cost (8mks)

- b) Explain the differences between cost accounting and financial accounting (8mks)
- c) Explain the following terms as used in cost accounting
- Cost centre (2mks)
 - Overheads (2mks)
 - Direct materials (2mks)
 - Budgeting (2mks)

QUESTION TWO

- a) From the following particulars prepare stores ledger account showing the pricing of material issues under simple average method.

2-8-13 opening stock 800 units @ ksh 55

3-8-13 purchased 800 units @ ksh 61

4-8-13 issued 1200 units

6-8-13 purchased 1600 units @ksh 53

7-8-13 issued 1,000 units

9-8-13 purchased 400 units @ ksh 45

11-8-13 issued 800 units

13-8-13 issued 100 units

15-8-13 purchased 500 units @ ksh 67

[12 marks]

- b) Define labour turnover? Explain the three causes of labour turn over. [8 marks]

QUESTION THREE

- a) A product passes through three of process X, Y and Z to its completion. During September 2005, 15,000 units of finished goods were produced and the following expenses were incurred:

	PROCESS X KSH	PROCESS Y KSH	PROCEES Z KSH
Materials	15,000	30,000	15,000
Direct wages	75,000	60,000	45,000
Direct Wages EXPENSES	7,500	9,000	15,000

Indirect expenses amounted to ksh 90,000 which are to be apportioned to the process on the basis of direct wages. Raw materials worth ksh 90,000 were issued to process "X".

Prepare process accounts showing cost per unit in each process (12mks)

- b) Explain the advantages of cost accounting to the following
- Management (2mks)
 - Creditors (2mks)
 - Public (2mks)
 - Employees (2mks)

QUESTION FOUR

a) The sales turnover and profit during the two years were as follows:

YEAR	SALES	PROFIT
2001	1,400,000	150,000
2002	1,600,000	200,000

Calculate

- i) Profit Volume (P/V) ratio (2mks)
 - ii) Break-even-Point (4mks)
 - iii) Sales required to earn a profit of ksh 400,000(3mks)
 - iv) Fixed expenses (2mks)
 - v) Profit when sales are ksh 1,200,000(3mks)
- b) Explain six principles involved in apportionment of overheads (6mks)

QUESTION FIVE

a). Bidco manufacturing company ltd has four production departments and two service departments. The particulars of the expense of the respective departments are as follows:

PRODUCTION DEPARTMENT (KSH)		SERVICE DEPARTMENT (KSH)	
A	10,000	Transport	5,500
B	9,900	Power Supply	3,800
C	8,000		
D	7,000		

The service department's expenses are charged out on a percentage as given below:

	PRODUCTION DEPARTMENT				SERVICE DEPARTMENT	
	A	B	C	D	TRANSPORT	P.SUPPLY
Transport	10%	30%	20%	20%	-	20%
Power supply	30%	20%	30%	10%	10%	-

From the above particulars, apportion the service department expenses to various production departments using algebraic equation method (14mks)

- b). Explain the differences between marginal costing and absorption costing (6mks)