



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR THE
DIPLOMA IN BUSINESS ADMINISTRATION**

HOMA-BAY CAMPUS

ADB 0105: COST ACCOUNTING

Date: 4th December, 2016

Time: 9.00 – 12.00 noon

INSTRUCTIONS:

- Answer question ONE (compulsory) and any other THREE questions.
- Question one carries 25 marks and the rest 15 marks each.



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HOMA BAY CAMPUS

DIPLOMA IN BUSINESS ADMINISTRATION

ADB O105 COST ACCOUNTING

- 1) (a) Define the term cost accounting (1mks)
- (b) Identify and explain advantages of cost accounting (12mks)
- (c) What are the conditions of effective costing system (6mks)
- (d) Explain the following terms
- (i) Cost centre (2mks)
- (ii) Cost unit (2mks)
- (iii) Profit centre (2mks)
2. Prepare a cost sheet statement from the following information
- | | |
|-------------------------|---------|
| Raw materials | 300,000 |
| Direct labour | 80,000 |
| Direct expenses | 20,000 |
| Factory rent | 15,000 |
| Factory power | 5,000 |
| Supervisor's salary | 20,000 |
| Administration expenses | 40,000 |
| Advertisement | 8,000 |
| Packaging expenses | 7,000 |
- N/B : Profit is 20% on cost (10mk)
- (b) Explain the advantages of cost sheet statement (3mks)

(c) Distinguish between cost accounting and financial accounting (2mks)

3. (a) The budget production overheads of climax limited are as follows:-

| | |
|-----------------------|--------|
| Budgeted overheads | 36,000 |
| Direct materials cost | 32,000 |
| Direct labour cost | 40,000 |
| Machine hour | 10,000 |
| Direct labour hour | 18,000 |
| Units of output | 10,000 |

Required:

a) Determine the absorption rate of:

(i) Direct material cost (2mks)

(ii) Direct labour (2mks)

(iii) Machine hour (2mks)

(iv) Direct labour hours (2mks)

(v) Units of output (2mks)

(vi) Prime cost (2mks)

(b) Identify and explain elements of cost. (3mks)

4. (a) Distinguish between marginal costing and absorption costing (6mks)

(b) Identify and explain four types of standard costing (8mks)

(c) What is variable cost (1mks)

5. During the month of October 2015, Sony Sugar had the following transaction:-

| Date | Quantity (Bags) received | price | value | date | Qty sold and dispatched | Price | value |
|------|--------------------------|-------|---------|------|-------------------------|-------|---------|
| Oct | | sh | sh | Oct | | | |
| 2 | 400 | 150 | 60,000 | 8 | 300 | 170 | 51,000 |
| 10 | 600 | 165 | 99,000 | 15 | 500 | 180 | 90,000 |
| 27 | 700 | 170 | 119,000 | 26 | 800 | 200 | 160,000 |
| 27 | 500 | 180 | 90,000 | 30 | 500 | 200 | 100,000 |

NB? There was an opening stock of 200 bags valued at Ksh 28,000. Each bag had been bought at sh 140.

Required

The value of closing stock using the following valuations:-

- (i) First in, First out (FIFO) (8mks)
- (ii) Last in ,First out (LIFO) (7mks)

- 6 (a) Identify and explain how labour costs can be determined (6mks)
- (b) Determine the possible causes of material stock variance (6mks)
- (c) Write short notes on the following:
- (i) Work in Progress (W.I.P) (1mks)
 - (ii) Prime cost (1mks)
 - (iii) Indirect materials (1mks)

END