



MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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University Examinations 2012/2013

FIRST YEAR, FIRST SEMESTER EXAMINATIONS FOR DIPLOMA/CERTIFICATE IN
BUSINESS ADMINISTRATION/DIPLOMA IN PURCHASING AND SUPPLIES
MANAGEMENT

DPS 0214- COST ACCOUNTING

DATE: AUGUST 2012

TIME: 1½ HOURS

INSTRUCTIONS: *Answer all questions*

QUESTION ONE

(a) The following information is available for Chekee company

	period					
	1	2	3	4	5	6
Units sold (000)	150	120	180	150	140	160
Units produced (000)	10	150	150	150	170	140

Budgeted activity is expected to average 150,000 units per period and there is no opening stock for period 1. Unit selling price is Ksh. 10, Unit variable cost is Ksh. 6, fixed costs per period is Ksh. 300,000 while non manufacturing overheads are 100,000 per period.

Required:

Prepare a profit and loss statement based on marginal and absorption costing (10 marks)

(b) A hospital records show that the cost of carrying health checks in the last five accounting periods has been as follows:

Period	No. of patients seen	Total cost
1.	650	17,125
2.	940	17,800
3.	1260	18,650
4.	990	17,980
5.	1150	18,360

Required:

Estimate the cost of carrying out health checks on 850 patients using:

- (i) Regression model (6 marks)
- (ii) High- low method (4 marks)
- (c) Explain the differences between job order costing and process costing (6 marks)
- (d) Discuss the purpose of cost accounting (6 marks)

QUESTON TWO

Briefly discuss the following terms:

- (i) Relevant range (2 marks)
- (ii) Sunk costs (2 marks)
- (iii) Avoidable costs (2 marks)
- (iv) Cost entries (2 marks)
- (v) Engineering method (2marks)

QUESTION THREE

M A Chemical Ltd, process a range of products including a detergent ` Washo` Which passes through three processes before completion and transfer to the finished goods warehouse. During April data relating to this product were as shown:

Process	1	2	3	Total
	Shs.	Shs.	Shs.	Shs.
Basic raw materials (10,000 units)	6,000	-	-	6,000
Direct materials added in process	8500	9500	5500	23,500
Direct expenses	1200	930	1340	3470

Production overhead

(Production overhead is absorbed)

(As a percentage of direct wages)

Output	Units	Units	Units
	9,200	8700	100
	%	%	%
Normal loss in process, of input	10	5	10
	Sh.	Sh.	Sh.
All loss has a scrap value, per unit of.	0.20	0.50	1.00

There was no stock at start or at end in any process.

You are required to prepare the following accounts.

- (i) Process 1 (5 marks)
- (ii) Process 2 (5 marks)
- (iii) Process 3 (5 marks)
- (iv) Abnormal loss (2.5 marks)
- (v) Abnormal gain (2.5 marks)

QUESTION FOUR

A B Ltd has two production and two service departments X and Y. The following information is provided.

	TOTAL	Production department		Service Department	
		A	B	X	Y
Overhead allocated	37,000	10,000	8,970	10,000	8,000
Cost of material requisitions from store (Ksh)	100,000	30,000	50,000	-	20,000
Maintenance Hrs production dept.	10,000	8,000	1,000	-	

Required:

Apportion the service department cost using:

- a) Simultaneous equation (10 marks)
- b) Repeated distribution (10 marks)

