



MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2012/2013

FIRST YEAR FIRST SEMESTER EXAMINATIONS FOR
THE DIPLOMA IN BUSINESS ADMINISTRATION
(CITY CAMPUS - DAY/EVENING)

ADB 0105: FOUNDATION OF COST ACCOUNTING

Date: 15th July, 2013

Time: 2.00 – 4.00 p.m.

INSTRUCTIONS

SECTION A: Question ONE (1) is COMPULSORY.

SECTION B: Answer ANY TWO questions.

SECTION A (COMPULSORY)

QUESTION ONE

- a) Discuss the main functions and characteristics of a good cost system.

(10 marks)

The standard mix of product A2 is as follows:

Kgs.	Materials	Price per kg. (Ksh.)
4200	X	6.50
1700	Y	4.25
2600	Z	9.75

You are required to calculate the following variances for presentation to the management"

- a) Material cost variance (5 marks)
b) Material price variance (5 marks)
c) Material mix variance (5 marks)
d) Material yield variance (5 marks)

QUESTION TWO

Kisumu Ltd. makes products of particular type. The budgets for a year are as follows:

	Units	Ksh.
Sales	13750	275000
Cost:	Variable (Ksh.)	Fixed (Ksh.)
Direct materials	55000	Nil
Direct labour	41250	70000
Overheads:		
Production	27500	Nil
Administrative	Nil	51000
	123750	121000

You are required to calculate:

- a) The contribution per unit (5 marks)
b) The contribution margin ratio (5 marks)
c) The break-even point in both units and sales (5 marks)
d) The margin of safety ratio (5 marks)

QUESTION THREE

The following information was provided about a worker.

Weekly working hours	48
Hourly wage rate	Ksh.7.50
Piece rate per unit	Ksh.3.00
Normal time taken per piece	24 minutes
Normal output per week	120 pieces
Actual output for the week	150 pieces
Differential piece rate	-80% of piece rate when output is below, and -120% of piece when output is above normal.

You are required to work out the earning of a worker for a week under

- a) Straight piece rate (5 marks)
- b) Differential piece rate (5 marks)
- c) Halsey premium scheme (50% sharing) (5 marks)
- d) Rowan premium scheme (5 marks)

QUESTION FOUR

A firm furnishes the following store transactions for the month of January.

January

- 1st Opening stock 2000 units at Ksh.26 each
- 2nd Issued 1000 units
- 3rd Issued 800 units
- 4th Purchased 1500 units at Ksh.27.50 each
- 4th Issued 400 units
- 5th Issued 320 units
- 6th Purchased 1000 units at Ksh.29 each
- 7th Issued 1400 units
- 8th Return to vendor goods purchased on 6th January. 30 units

- 9th Received back from work order goods issued on 5th January. 40 units
- 10th Issued 500 units
- 11th Purchased 500 units at Ksh.32 each
- 11th Issued 400 units
- 13th Purchased 1500 units at Ksh.34 each
- 15th Issued 300 units

On 15th January when the stock is verified, it is found that the actual stock is more by 20 units.

Required:

Prepare a store ledger account assuming that the issue of stores has been priced on the principle of First-In-First -Out (FIFO) method. (20 marks)

QUESTION FIVE

A department is having three (3) machines. The figures below indicate the departmental expenses.

Depreciation of machineries	120000
Depreciation of building	2880
Repairs to machineries	4000
Insurance of machineries	800
Indirect wages	6000
Power	6000
Lighting	800
Miscellaneous expenditure	<u>4200</u>
	<u>36680</u>

Additional information:

	machine 1	Machine 2	Machine 3
Direct wages	Ksh.1200	2400	2400
Power units	30000	10000	20000
Number of workers	4	8	8
Space	400 sq. ft.	800 sq. ft.	800 sq.ft
Cost of machines	Ksh.300000	120000	180000
Hours worked	300	200	300
Light points	8	24	48

Required:

Calculate the machine hour rate in respect of these machines. (20 marks)