



# MASENO UNIVERSITY

## UNIVERSITY EXAMINATIONS 2012/2013

### FIRST YEAR FIRST SEMESTER EXAMINATIONS FOR THE DIPLOMA IN BUSINESS ADMINISTRATION (HOMA BAY CAMPUS)

#### **ADB 0105: FOUNDATION OF COST ACCOUNTING**

*Date: 4<sup>th</sup> August, 2013*

*Time: 8.00 – 10.00 a.m.*

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#### INSTRUCTIONS:

- ◆ Answer Question ONE and any other TWO questions.
- ◆ Be neat and use examples where appropriate.
- ◆ Show all your workings.



### QUESTION ONE

XYZ Ltd sells a product for shs10 and its variable cost per unit is shs 6. There is a fixed cost of shs400, 000. The management wants a target profit of shs70, 000. The tax rate is 30% and budget scales are 8,000 units. **(30 marks)**

**You are required to**

- a) Determine the number of units that XYZ Ltd must sell to meet the target profit.
- b) Determine the sales volume
- c) Margin of safety
  - (i) In unit
  - (ii) In sales value
- d) Determine profit figures after tax

### QUESTION TWO

**a) Write short notes on the following (10marks)**

- (i) Cost centre
- (ii) Revenue centre
- (iii) Profit centre
- (iv) Fixed cost
- (v) Variable cost

**(b) determine the business fixed variable cost for its manufacturing overhead and thus write down the costs in the equation in the form of  $Y=a+bx$  (10 marks)**

Month	Total Cost (Shs)	Output (units)
January	5,100	40
February	5,450	45
March	6,050	50
April	5,400	40
May	6,850	60
June	6,250	55

### QUESTION THREE

ABC Ltd has the following cost Centre's A, B, X, Y

A, B are production cost centers' X, Y are service cost centre's

The following are the overhead expenses that the firm has incurred in one year:

1. Depreciation of Factory	1,000
2. Factory repairs and maintenance	600
3. Factory office cost (production overhead)	1,500
4. Depreciation of equipment	800
5. Insurance of equipment	200
6. Heating	390
7. Lighting	100
8. Canteen	900

Information relating to the production and service department in the factory is as follows:-

	Production Department A	Production Department B	Service Dept X	Service Dept Y
Floor space (square meters)	1200	1600	800	400
Volume (cubic meters)	3000	6000	2400	1600
Number of employees	30	30	15	15
Book value of equipment	shs30000	shs20000	shs10000	shs20000

**You are required to:**

Determine how the overhead cost should be apportioned between the four departments (20 marks).

#### QUESTION FOUR

a). The following data relates to a cost item

Ordering cost	sh. 100 per order
Stock holding cost	sh. 4.00 per unit per annum
Annual demand	5000 units

Compute the Economic Order Quantity **(6marks)**

b). Describe four characteristics of just in time systems **(4 marks)**

c). Give five advantages of continuous stock taking **(10marks)**