

**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**SCHOOL OF BUSINESS AND ECONOMICS**

**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE CONSTRUCTION MANAGEMENT**

**4th YEAR 1ST SEMESTER 2016/2017 ACADEMIC YEAR**

**MAIN CAMPUS (REGULAR)**

**COURSE CODE: BBM 3411**

**COURSE TITLE: COST PLANNING AND CONTROL**

**EXAM VENUE: -- STREAM: (BBA)**

**DATE: 15/12/16 EXAM SESSION: 9.00 - 11.00 AM**

**TIME: 2 HOURS**

**Instructions**

1. Answer Question One (Compulsory) and ANY other 2 questions

2. Candidates are advised note to write on the question paper

3. Candidates must hand in their answer booklets to the invigilator while in the examination room

**QUESTION ONE**

1. Explain how cost accountant can help to control labor costs in an organization. Discuss also the problems likely to be faced by him/her while doing so.
2. The following items have been extracted from the books of a manufacturing company for the year ended 31st December 2012.
3. Stock of materials 1st January at cost 6,500
4. Raw materials purchased 33,000
5. Stock of raw materials, 31st December 2012 at cost 15,000
6. Work in progress 1.1.12 10,000
7. Work in progress 31.12.12 22,000
8. Finished goods 1.1.12 5,000
9. Finished goods 31.12.12 4,000
10. Sales 75,000
11. Carriage on purchase of raw materials 1000
12. Rent and rates 2000
13. Heating and lightings 3,600
14. Factory wages-Direct 18,000
15. -Indirect- 7000 25,000
16. Office salaries 3,000
17. Depreciation of plants and machinery 4,000
18. You are required to prepare a manufacturing, trading and profit and loss account for the year ended 31st December 2012.Rent and Rates, and heating and lighting should be apportioned in the ratio of Three to factory expenses and one to office expenses respectively**.** (13 Marks)

**©** Describe the main cost measures that should be considered separately during the preparation of the outline cost plan

**QUESTION TWO**

**(a)** ) Define standard costing. Distinguish between budgetary control and standard costing. (10 marks)

**(b)** Mutual Construction Company Ltd won the contract for the construction of multi-storey building at a cost of Sh.200 million. The data relating to the contract for the year ended 31st December 2008 were as under:-

 Sh.`000`

 Materials issued to site 80,000

 Materials purchased locally 15,000

 Direct Wages:

 Paid 5,800

 Accrued 350

 Plant purchased and installed 48,800

 Direct Expenditure

 Paid 1,780

 Accrued 70

 Establishment charges 180

 Materials returned to store 850

 Work Certified 150,000

 Cost of work certified 3,800

 Material on site on 31st December 5,330

 Value of plant on 31st December 41,500

 The company had received from the client, payments amounting to Sh.126 Million.

**You are required to:**

1. Prepare the contract account. (5 Marks)
2. Prepare the contractee account. (5 Marks)
3. Show how the various items will appear in the balance sheet as at December 31st 2008.(**5Marks**)
4. **S**tate the desirable qualities of good accounting system. (5 Marks)

**QUESTION THREE**

**(a)**From the following information. Calculate the sales variances. (10 Marks)

 Standard selling price per unit sh.30

Standard cost per unit sh.25

Budgeted sales 2000 units

Actual sales (units) 2200 Units

Actual sales( value) shs.63800

**(b)** Standard labour cost is:20hrs.x60 cents=Ksh 12.In a Budget period 1000 units were produced and 25000 hours were paid for, including 2000 hours idle time due to electricity failure. The wages paid amounted to Ksh 12,500**.**

**Required**

Reconcile standard labour cost with Actual Labour Cost of 1000 units(6 Marks)

**QUESTION FOUR**

1. **(a)** Define contract in the context of IAS 11 and discuss the main problems of contract accounting. (7 Marks)

**(b)** The following information is available from a manufacturing company:-

 Total overheads Kshs 600,000

 Total direct wages Kshs 480,.000

 Total Direct material cost Kshs 500.000

 Direct Labour 750.000

 Direct Machine hour 50.000

 Units of Output 750.000

**Required**

Calculate six overhead Absorption rates. (8 Marks)

**(**b) Describe the methods of apportioning costs of joint products. (5 Mark)

**QUESTION FIVE**

**(a)**Define fine accounts as used in this unit and explain clearly how it is prepared.(10 Marks)

**(b)**Define cost planning .Discuss in details the factors that are considered when choosing an appropriate absorption method. (10 Marks)