

Mount Kenya



University

UNIVERSITY EXAMINATION 2012/2013

SCHOOL OF BUSINESS AND PUBLIC MANAGEMENT

DEPARTMENT OF ACCOUNTING & FINANCE

EVENING

UNIT CODE: BBM/SBC 211

UNIT TITLE: COST ACCOUNTING

DECEMBER 2012

SPECIAL/SUPPLEMENTARY EXAM

TIME: 2HRS

ANSWER ALL QUESTIONS IN SECTION A AND ANY OTHER TWO QUESTIONS IN SECTION B

SECTION A

QUESTION ONE

- a) Cost can be classified into Element wise, Function wise and Behaviour wise. Briefly explain. (6 marks)
- b) Distinguish between Standard and Variance costing. (4 marks)
- c) Define marginal costing and give its limitations. (5 marks)
- d) From the following particulars, calculate the earnings of a worker under Taylor's Differential Piece Rate System. (5 marks)

Standard time per unit	15 minutes
Normal rate per hour	Sh. 100/-
In a 9 hours day	Jane produces 32 units
	Peter produces 45 units

- e) From the following data you are required to determine the EOQ (5 marks)

Annual usage	8,000 units
Cost per unit	Sh. 30/-
Buying cost per order	Sh. 70/-

Storage and carrying cost as a percentage of average inventory holding 15%

- f) The following information has been taken from the cost records of an Engineering Works in respect of job no. 303 Materials consumed Sh. 40,100.

Wages:	Department A 60 hours at Sh. 30/- per hour
	Department B 40 hours at Sh. 20/- per hour

Department C 20 hours at Sh. 50/- per hour
Overhead expenses for the three departments were estimated as follows:

Variable overheads

Department A Sh. 5,000 for 500 labour hours
Department B Sh. 3,000 for 150 labour hours
Department C Sh. 2,000 for 50 labour hours

Fixed overheads

Fixed overhead at Sh. 20,000 for 1,000 normal working hours.

Required:

Calculate the cost of job no. 303 and the price so as to give a profit of 25%
selling price (5 marks)

SECTION TWO

QUESTION TWO

The following information has been extracted from the books of Mapato Ltd for the year to 31 March 2011.

	Units
Production	30,000
Sales	24,000

Production cost incurred:	Sh.
Direct material	7,200,000
Direct labour	1,800,000
Variable overheads	1,500,000
Fixed overheads	2,700,000

Selling and administration costs:	Sh.
Sales and salaries	450,000
Variable sales commission	300,000
Promotion and advertising	480,000
Other fixed costs	720,000

The company's unit selling price is Sh. 550.

Required:

- a) Profit and loss statement under direct costing approach (8 marks)

- b) Profit and loss statement under indirect costing approach (8 marks)
 c) Highlight any four types of budgets portraying their meaning (4 marks)

QUESTION THREE

- a) The following information is given for material P- 50.

Consumption:

Annual	36,000 units
Maximum	120 units/ day
Minimum	80 units/ day
Normal	90 units/ day
Re- order period	12- 24 days
Re- order quantity	3,200 units

Required:

- i) Re- order level (3 marks)
 ii) Minimum stock level (2.5 marks)
 iii) Maximum stock level (2.5 marks)
- b) Distinguish between the following cost accounting terminologies:
- i) Direct and indirect costs (4 marks)
 ii) Cost centre and cost unit (4 marks)
 iii) Joint products and by- products (4 marks)

QUESTION FOUR

- a) From the following prepare a cost sheet highlighting: (16 marks)
 Prime cost
 Production cost
 Total cost

	Sh. "000"
Expenses of the administration function	600
Materials used in producing products	220

Depreciation in Office equipment	Sh. "000" 5
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Machinery (production)	29
Delivery vans	18
Show rooms	6

Direct labour costs incurred	1,550
Indirect factory expenses	170
Wages of truck driver	300
Salaries and expenses of salesmen	100
Salaries of the administration staff	400
Salaries of the production staff	30
Expenses of delivering goods	50

b) Distinguish between Cost Accounting and Financial Accounting (4 marks)

QUESTION FIVE

a) Pendo ltd buys product Q- 10. It values stock on the basis of Last in First out (LIFO). In June 2012, stock in hand consisted of 4,500 units which were acquired at Sh. 50 per unit. The operations for the month were as follows:

Date	Purchases	Issues
June 1	5,000 @ Sh. 48	
4		6,000
5	5,500 @ Sh. 49	
7	4,000 @ Sh. 50	
11		7,000
12	5,000 @ Sh. 50	
13	6,000 @ Sh. 47	
18		7,000
19		8,000
20	6,000 @ Sh. 49.50	
21		5,000
22	7,000 @ Sh. 50	
25	6,000 @ Sh. 49	

26	2,000 @ Sh. 47	
28		500
29		14,000

Required:

- i. Stores ledger card (14 marks)
- ii. Valuation of closing stock (2 marks)

b) Distinguish between the following Contract costing terminologies: Contractor and Contractee (4 marks)