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**University Examinations 2015/2016**

SECOND YEAR, FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE AND BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

**BFC 3227: COST ACCOUNTING**

**DATE: NOVEMBER 2015 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. From the following information, prepare a manufacturing cost statement:

**Sh.**

Plant balance January. 1st 2013 400,000

Wages paid to factory workers 148,000

Factory insurance 52,000

Factory rent 180,000

Clearing costs 200,000

Raw material purchases 350,000

**Stock: January 2013**

-Raw materials 48,000

-Work-in progress 9,800

-Finished goods 100,000

Marketing manager salary 200,000

Fixed administration expenses 140,000

Salesmen commission 60,000

**Notes:**

1. Wages paid to factory workers are considered 90% direct.
2. Apportion the clearing costs as follows 70% factory, 20% warehouse and 10% office.
3. Factory rent due on 31.12.2013 was sh.120, 000.

**Required:**

Prepare a manufacturing cost statement for the year ended 31.12.2013 showing all costs under suitable headings. (20 Marks)

1. A business firm engaged in production should control materials used in the production process from the period of procurement to the point materials are issued to production. Clearly explain how a business firm should reasonably achieve this objective (10 Marks)

**QUESTION TWO (20 MARKS)**

1. The following item relates to item K23 by Daima manufacturers during the month of November 2012.

**Receipts**

November 3rd: 2400 units @ sh 18

November 6t: 2600 units @ sh 20

November 14th: 3000 units @ sh 22

November 18th: 2800 units @ sh 21

November 22nd: 2600 units @ sh 23

November 26th: 3100 units @ sh 24

November 27th: 2500 units @ sh 25

November 28th: 3200 units @ sh 25

**Issues**

November 4th 3200 units

November 12th 2700 units

November 20th 2200 units

November 25th 3000 units

November 29th 6900 units

**Required:**

1. Prepare a store ledges cord using weighted average cost method and show closing stock value. (15 Marks)
2. What are the various factors that you may consider when coming up with maximum stock level. (5 Marks)

**QUESTION THREE (20 MARKS)**

A factory issued jobs to two employees, **A & B**. **A** produces 35 articles at an average of two hours per article. Employee **B** is given another job who produces 60 articles, each article taking one and half hours. For each hour saved, a bonus is paid at 50% the base, which is sh200/hour. The factory works a 40 – hours week and overtime is paid at a rate of one and a third. At the end of the week, A’s and B’s clock card show 49 and 46 hours respectively and the work is complete. However, three of **A’s** articles and three of **B’s** articles failed to pass inspection. This was due to defective materials and in view of this all the articles produced were paid for, although a scrap they have no saleable value.

**Required for both A and B:**

1. Bonus due (8 Marks)
2. Total gross wages due (8 Marks)
3. Wages cost per unit of articles passing inspection (4 Marks)

**QUESTION FOUR (20 MARKS)**

Uwezo Limited make a detergent through two processes. The following details relate to one paid.

**Process**

I II

Raw materials (60,000 units) sh 80,000 -

Materials introduced sh 23,500 18,750

Direct wages sh 15,000 12,000

Overheads to processes sh 3,800 4,600

Other overheads absorbed into processes on bonus of labour cost amounted to sh 18,000. Normal loss of 5% of input to each process is anticipated.

The scrap value in process **I** is Nil while in process **II** it is **sh. 1**. This was no opening or closing W.I.P. **Prepare the following ledgers:**

1. Process accounts (12 Marks)
2. Abnormal loss/gain account (6 Marks)
3. Scrap Debtors account (2 Marks)

**QUESTION FIVE (20 MARKS)**

1. Explain five basis of overhead absorption (8 Marks)
2. Explain how budgets can be of use to a firm. (6 Marks)
3. How is marginal costing different from absorption costing (6 Marks)