MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH INFORMATION TECHNOLOGY

CITY CAMPUS – DAY & EVENNING

ABA 209: COST ACCOUNTING

Date: 19th June, 2017 Time: 5.30 - 8.30pm

INSTRUCTIONS:

- Answer Question ONE and any other THREE.

QUESTION ONE (Compulsory)

The following details are available from a company's books

	Shs.
Stock of Raw Materials 1-1-2015	12,800
Stock of Finished Goods on 1-1-2015	28,000
Purchases during the Year	292,000
Productive Wages	198,800
Sales of Finished Goods	592,000
Stock of Finished Goods on 31/-12-2015	30,000
Stock of Raw Material on 31-12-2015	13,600
Works Overhead	43,736
Office and General Expenses	35,524

The company is about to send a tender for a large plant. The costing department estimates that the material required would cost Shs. 20,000 and wages for making the plant would cost Shs. 12,000. Tender is to be made keeping a net profit of 20% on the selling price.

Required:

i) Prepare cost sheet for the year ending 31/12/2015 (15marks)

ii) Prepare tender for the plant. State what would be the amount of the tender, if based on the percentages. (10marks)

QUESTION TWO

Product X is obtained after it passes through three distinct processes.

		Processes		
	Total	**I**	**II**	**III**
	Kshs	**Kshs**	**Kshs**	**Kshs**
Material	15,084	5,200	3,960	5,924
Direct Wages	18,000	4,000	6,000	8,000
Production Overheads	18,000			

1,000 units @ Shs. 6 per unit were introduced in Process I
Production overhead to be distributed as 100% on direct wages.

Actual output		**Normal Loss**	**Value of Scrap per unit**
	Unit		**Shs**
Process I	950	5%	4
Process II	840	10%	8
Process III	750	15%	10

You are required to:

i. Prepare Process Accounts **(10marks)**
ii. Abnormal Loss Account **(3marks)**
iii. Abnormal Gain Account **(2marks)**

QUESTION THREE

The following figures are supplied to you by contractor for the year ending 31st December, 2015

	Shs	**Shs**
Work-in-progress on 31/12/2014	85,000	
Less cash received from contractee	55,000	30,000
During the Year:		
Wages		8,500
Material bought		6,000
Materials issued from stores		10,500
Working expenses		1,500
Administrative exp. (Shs. 250 are chargeable to profit and loss a/c)		1,250
Plant		2,500
Material returned to supplier		450
Material returned to stores		550
Work certified		15,000
Contracts finished		22,500
Profits taken upon contacts		11,500
Advances from contractee		40,000

Required:

i. Prepare contract ledger accounts **(11marks)**
ii. The total contractee's account **(3marks)**
iii. Show the work-in-progress as it would appear in the balance sheet **(2marks)**

QUESTION FOUR

a) Define Break – Even Analysis. Explain the important assumptions of Break-Even Analysis **(10marks)**

b) BSA Company proposes to take on lease, a line of food vending machines, in a large office complex. Although the unit selling prices and making cost differ among individual food items, the sales manager is of the view that an average unit selling price of Kshs. 2 and an average unit purchase price (variable cost) of Kshs. 1.60 will be adequate for the purpose of analysis to be made before taking a decision. The sales manager also estimates monthly fixed expenses (like rent, wages etc) of Kshs. 24,000.

Required:

i. Monthly breakeven point in number of units and in shillings value **(3marks)**

ii. The monthly breakeven point in number of units and shillings sales if selling price falls to Kshs. 1.92 without any change in the fixed and variable expenses **(2marks)**

QUESTION FIVE

a) i) Describe the main purposes of cost account **(6 marks)**

ii) Explain the important conditions for effective system of Cost Accounting **(3 marks)**

b) Write short notes on the following:

i) Cost Unit **(2marks)**

ii) Cost Centre **(2marks)**

iii) Profit Centre **(2marks)**

QUESTION SIX

	Standard			Actual		
Material	**Qty**	**Price**	**Total**	**Qty**	**Price**	**Total**
	Kg	**Shs**	**Shs**	**Kg**	**Shs**	**Shs**
A	500	6	3,000	400	6	2,400
B	400	3.75	1,500	500	3.60	1,800
C	300	3.00	900	400	2.80	1,120
	1,200			1,300		
Less 10% Normal Loss	120		Actual Loss	220		
	1,080		**5,400**	**1,080**		**5,320**

Calculate:

i) Material Cost Variance (3marks)

ii) Material Price variance (3marks)

iii) Material Mix Variance (3marks)

iv) Material Yield Variance (3marks)

v) Total Material Usage Variance (3marks)