



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2017/2018

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

CITY CAMPUS -WEEKEND

ABA 209: COST ACCOUNTING

Date: 27th January, 2018

Time: 9.00 - 12.00pm

INSTRUCTIONS:

- Answer Question ONE and any other THREE



QUESTION ONE (COMPULSORY)

The following particulars have been extracted from the accounts of M. Motor Manufacturing Co. Ltd manufacturer of 14 H.P motor cars for the year ended 31st December, 2015

	Shs
Opening Stock of Raw material	50,000
Purchase of Raw Material	1,200,000
Carriage of Raw Material	60,000
Wages to Manual Lab and also that Working on Machine	700,000
Works Overhead	196,000
Establishment & General Charges	149,170
Closing Stock of Raw Material	75,000

Required:

- i. Find out the works cost and total cost of motor car (11marks)
- ii. The percentage the works overhead bears to the wages and percentage that establishment charges bear to the works cost. (4marks)
- iii. Statement of Cost for quotation of one car; work out what price the Company should quote for a motor car, which it is estimated will require an expenditure of Shs. 5,500 in raw material and Shs. 4,000 in wages, so that it would yield profit of 25% on total cost and 20% on the selling cost (10marks)

QUESTION TWO

A firm of contractors undertook three contracts on 1st April, 2016. 1st October, 2015 and 1st January, 2016, on 31st March 2016 when their accounts were made up the position was as follows:

	I	II	III
	Kshs	Kshs	Kshs
Contract price	400,000	135,000	150,000
Material	72,000	29,000	10,000
Wages	110,000	56,200	7,000
General expenses	4,000	1,400	500
Plant	20,000	8,000	6,000
Materials on hand	4,000	2,000	1,000
Wages outstanding	3,400	1,800	800
Work certified	200,000	80,000	18,000
Cash received	150,000	60,000	13,500
Work uncompleted	6,000	4,000	1,050
General expenses O/s	600	200	100

The plants were installed on the respective dates of the contract and depreciation is taken at 10% p.a.

Required:

- a. Prepare contract accounts. (12marks)
- b. Briefly explain the difference between contract and job costing (3marks)

QUESTION THREE

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

	Total	Process		
		I	II	III
	Kshs	Kshs	Kshs	Kshs
Material	15,084	3,200	3,960	3,924
Direct wages	18,000	4,000	6,000	8,000
Production overheads	18,000			

1,000 units @ Kshs. 6 per unit were introduced in process 1.

Production overhead to be distributed as 100% on direct wages.

Actual Output		Normal Loss	Value of scrap per unit
	Unit		Kshs
Process I	950	5%	4
Process II	840	10%	8
Process III	750	15%	10

Required:

- a) Prepare process accounts (12marks)
- b) Abnormal loss account (1½ marks)
- c) Abnormal gain account (1½ marks)

QUESTION FOUR

- a) Kamau sells a line of men’s footwear for Shs. 18 a pair. Each pair that is sold contributes Shs. 6 to the recovery of fixed costs and to profits. His fixed costs of operation amount to Shs. 84,000 a year.

Required:

- i) Show how many pairs must be sold in a year to break even (4marks)
- ii) Compute the sales revenue at the breakeven point (4marks)
- iii) Compute the sales revenue required to earn a net income of Shs. 54,000 (4marks)

QUESTION FIVE

The following are the information obtained from Unilever Limited

	Standard			Actual		
	Qty (Kilos)	Unit Price	Total	Qty (Kilos)	Unit Price	Total
Material A	10	2	20	5	3	15
Material B	20	3	60	10	6	60
Material C	20	6	120	15	5	75
Total	50	4	200	30	5	150

Required: Compute:

- a) Material Cost Variance (3marks)
- b) Material Price Variance (3marks)
- c) Material Mix Variance (3marks)
- d) Material Sub-usage Variance (3marks)
- e) Material Usage (or quantity) Variance (3marks)

QUESTION SIX

- a) i) Describe the main purposes of cost account (8 marks)
- ii) Explain the important conditions for effective system of Cost Accounting (7 marks)