



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2017/2018**

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

**CITY CAMPUS**

**ABA 209: COST ACCOUNTING**

Date: 7<sup>th</sup> May 2018

Time 5.30 - 7.30pm

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**INSTRUCTIONS:**

- Answer Question one and any other three questions.
- Show all the workings clearly

### 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 31<sup>st</sup> 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

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 31<sup>st</sup> December, 2015

	Shs	Shs
Work-in-progress on 31/12/2014	85,000	
Less cash received from contractee	55,000	30,000
<b>During the Year:</b>		
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

The standard material cost to produce a tone of chemical X is:

300kg of material A @ Kshs. 10 per kg

400kg of material B @ Kshs. 5 per kg.

500kg of material C @ Kshs. 6 per kg.

During a period 100 tonnes of mixture X were produced from the usage of:

35 tonnes of material A at a cost of Kshs. 9,000 per tonne

42 tonnes of material B at a cost of Kshs, 6,000 per tonne

53 tonnes of material C at a cost of Kshs. 7,000 per tonne.

**Required:**

- i. Material Cost Variance **(4 marks)**
- ii. Material Price Variance **(4 marks)**
- iii. Material Usage Variance **(4 marks)**
- iv. Material Mix Variance **(3marks)**