

(KNOWLEDGE FOR DEVELOPMENT)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2017/2018 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 224

COURSE TITLE: COST ACCOUNTING

DATE:

06/08/2018

TIME: 2.00 - 4.00 P.M

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B TIME: 2 HOURS

KIBU observes ZERO tolerance to examination cheating

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SECTION A

QUESTION ONE (COMPULSORY)

a) Explain any five ways of distinguishing Financial Accounting and Cost Accounting

(10 marks)

- b) Differentiate between
 - Sunk cost and differential cost \checkmark i. .

(2marks)

- ii. , product cost and period cost $\sqrt{}$ (2marks)
- Discuss four advantages of standard costing $\,^{\sim}$

(4 marks)

d) HZ Construction Company acquired a contract for the construction of a dual carriage way from Nairobi at a cost of 200M. The data relating to the contract for the year ended 31/12/2009 was as follows.

	Sh''000''
Material issued to site	
	80,000
Material purchased locally	15,700 🗸
Direct wages paid	5,800
Direct wages accrued	350 /
Plant purchased and installed	48,800
Direct expenses paid	1,780
Direct expenses accrued	70 🗸
Electricity charges	180
Materials returned to store	850 ×
Nork certified	150,000
Cost of work not certified	3,800
Material in site at 31/12/2009	5,330 🗙
alue of plant on 31/12/2009	41,500 🔾

The company had received from the direct payment amounting to 126 Million. Required

(i) Contract Account

(4 marks)

(ii) Certificate account

(8 marks)

SECTION B (ANSWER ANY TWO QUESTIONS)



QUESTION TWO

Company ABC has three production departments A, B and C and two service departments X and Y. The following information has been provided:

Production Department	Cost (sh.)	
А	6,000	√
В	7,200	1
C	8,600	V

Service Department	Cost (sh.)
X	2,800
Υ	4,400

The service department costs are apportioned as follows:

	X	Y
А	30%	30%
В	10%	40%
С	20%	10%
Χ	-	20%
Υ	40%	-

Required:

Determine total costs in the ABC ltd using simultaneous equation method

(20 marks)

QUESTION THREE

XYZ Limited produces a range of products which includes a soft drink which passes through three processes before completion and transfer to finished stocks store. During the Month of October 2012, the following data was obtained from the records of the company.

PROCESS

	X Sh.	Y Z Sh.	TOTAL Sh. Sh.	
Basic raw materials (60,000 units) Direct material added in process Direct wages Direct expenses Production overheads Output (units) Normal loss in process of input Scrap value per unit (Shs.)	36,000 53,100 24,000 7,200 55,200 10%	57,000 36,000 1,440 52,200 5%	33,000 72,000 13,080 47,400 10%	36,000 143,100 132,000 21,720 99,000

Additional information:

i. Production overheads is absorbed as a percentage of direct wages

ii. There was no stock at the beginning or closing of any processes

Required:

i.	Prepare separate process X, Y and Z accounts	(10,000,00,00,00)
ii.	Prepare the Abnormal loss and Abnormal gain accounts	(10marks)
iii.	Highlight six features of process costing \checkmark	(4marks)
	(6marks)	

QUESTION FOUR

Bidii Company manufactures a single product using standard costing. The standard costs are as follows:-

	Sh.	
Direct Material: Material X (3kg@sh.10)	30	
Material Y (5kg@sh.5)		25
Direct labour: (5hours @ sh.8)		40

Variable production overhead based on labour hours sh.6	30
Fixed production overhead based on labour hours sh.4	<u>20</u>
	<u>125</u>

In May 2006, the Company budgeted 10,000 units but produced 11,000 units. Actual costs were as follows:-

	Shs.
Material cost: Material X (39,000kg)	323,000
Material Y (52,000kg)	312,000
Labour cost (51,000 hrs)	433,500
Variable production overheads	340,000
Fixed production overheads	220,000
	1,628,500

Required:

Calculate the following variables indicating whether Favorable or Adverse.

i.	Material Price Variance and Usage Variance	Water Special	. 🖫•	(5marks)
ii.	Labour rate and Efficiency Variance			(3marks)
iii.	Total variance and Fixed overhead variance			(12marks)

QUESTION FIVE

Nixon an automobile technician has been operating a garage in Mombasa for the past two years. A year ago he converted part of his garage to a welding shop making and selling metal doors and windows. He had anticipated that the cost of the welding shop would primary be final but has realized that the welding cost increased with the increase in number of welding job assignments. The costs of welding job assignments are as follows:

Period	No. of welding job assignments	Total cost
Sep 2008	28	70
Oct 2008	80	86
Nov 2008	124	11
Dec 2008	100	96
Jan 2009	60 .	72
Feb 2009	92 ,	91
A Mar 2009	86	88
& . Apr 2009	120	26

Required:

- (a) formulate an equation to estimate the total cost of the welding shop and compute the cost of undertaking 1256 assignments using simple linear regression method (15 marks)
- b) determine the strength of the relationship between the two variables and comment on your answer (5marks)

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(A) CC24

B) 2024

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