



*(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**

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**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**

This Paper Consists of 4 Printed Pages. Please Turn Over.

**SECTION A**

**QUESTION ONE (COMPULSORY)**

- a) Explain any five ways of distinguishing Financial Accounting and Cost Accounting (10 marks)
- b) Differentiate between (2marks)
- i. Sunk cost and differential cost ✓
  - ii. product cost and period cost ✓ (2marks)
- c) Discuss four advantages of standard costing (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.

Particulars	Sh''000''
Dr ✓ Material issued to site	80,000 ✓
Dr ✓ Material purchased locally	15,700 ✓
Dr ✓ Direct wages paid	5,800 ✓
Dr ✓ Direct wages accrued	350 ✓
Dr ✓ Plant purchased and installed	48,800 ✓
Dr ✓ Direct expenses paid	1,780 ✓
Dr ✓ Direct expenses accrued	70 ✓
Dr ✓ Electricity charges	180 ✓
Cr ✓ Materials returned to store	850 ✗
Work certified	150,000
Cost of work not certified	3,800
Cr ✓ Material in site at 31/12/2009	5,330 ✗
Cr ✓ Value 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.)
A	6,000 ✓
B	7,200 ✓
C	8,600 ✓

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

The service department costs are apportioned as follows:

	X	Y
A	30%	30%
B	10%	40%
C	20%	10%
X	-	20%
Y	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	<u>220,000</u>
	<u>1,628,500</u>

**Required:**

Calculate the following variables indicating whether Favorable or Adverse.

- i. Material Price Variance and Usage Variance (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 X	Total cost
1 Sep 2008	28	70
2 Oct 2008	80	86
3 Nov 2008	124	11
4 Dec 2008	100	96
5 Jan 2009	60	72
6 Feb 2009	92	91
7 Mar 2009	86	88
8 Apr 2009	120	26

Required:

- 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)
- determine the strength of the relationship between the two variables and comment on your answer (5marks)

✓ Which one has the 2010 and 2009 ✓

A1 CC24  
B1 2024  
C1 CC44

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