TECHNICAL UNIVERSITY OF MOMBASA

School of Humanities & Social Sciences

DEPARTMENT OF HOSPITALITY & TOURISM

UNIVERSITY EXAMINATIONS FOR DEGREE IN

BACHELOR OF TECHNOLOGY IN HOTEL AND HOSPITALITY MANAGEMENT

BAC 4201: COST ACCOUNTING

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: JUNE/JULY 2015

TIME: 2 HOURS

INSTRUCTIONS:

- Answer question **ONE (Compulsory)** in Section **A** and any other **TWO** questions in Section **B**.

This paper consists of Four printed pages

SECTION A (Compulsory)

QUESTION 1

a) Define cost accounting. **(2 marks)**

b) Briefly discuss the elements of cost. **(8 marks)**

The following is information relating to operations of ABC Ltd.

Direct materials	1,000,000	Consumable stores	2,500
Direct wages	30,000	Manager salary	5,000
Wages of foreman	2,500	Director's fees	1,250
Electric power	500	Office stationary	500
Lighting: factory	1,500	Telephone charges	125
Office	500	Postage & telegrams	250
Storekeepers wages	1,000	Salesmen's salary	1,250

Oil & water Rent: factory Office Repairs and rewards Factory plant Transfer to reserves Discount on shares written off Depreciation: factory plant Office premises	500 5,000 2,500 3,500 1,000 500 500 1,250	Travelling expenses Advertising Warehouse charges Sales Carriage outward Dividend	500 1,250 500 1,895,500 375 2,000

Required:

Calculate:

i) Prime cost

ii) Factory cost

iii) Cost of production

iv) Cost of sales

v) Profit. **(20 marks)**

SECTION B (Answer any **TWO** questions)

QUESTION 2

a) Explain the difference between the following terms. **(2 marks each)**

i) Fixed cost and variable cost

ii) Sunk cost and relevant cost

iii) Prime cost and relevant cost

b) You have the following information from the records of a restaurant.

	Sales Revenue	**Wage costs**
January	11,100	5,500
February	13,100	5,900
March	14,900	6,000
April	19,100	7,100
May	22,000	9000
June	24,200	9,600
July	26,300	9,700
August	27,000	9,900
September	23,900	8,500
October	20,100	7,600
November	18,200	8,000
December	16,000	7,100

Use the high-low method to calculate total fixed cost and total variable cost for the year. **(8 marks)**

c) Differentiate between FIFO method and Weighted Average Method. **(6 marks)**

QUESTION 3

a) Briefly discuss the principles of marginal costing. **(6 marks)**

b) MALI Ltd make a product the Wasta, which has a variable production cost of Ksh. 5 (production, administration, sales and distribution). There were no variable marketing costs. Fixed cost per annum amount to. Ksh. 45,000.

Assuming a 20,000 Watsa production and selling price of sh. 10; calculate the contribution and profit for September 2007, using marginal costing principles, if sales were as follows: **(10 marks)**

i) 10,000 Wats's
ii) 15,000 Watsa's
iii) 20,000 Watsa's

c) Differentiate between marginal costing and absorption cost. **(4 marks)**

QUESTION 4

a) Briefly define the following terms: **(8 marks)**
i) Budget
ii) Budget manual
iii) Budger bias
iv) Flexible budget

b) Mini Bakeries Ltd has budgeted to produce and sell 100,000 units of cake during the next period. The selling price per cake is shs. 20 and variable cost per cake is sh. 12. Fixed overheads are budgeted at 60,000.

Additional Information;

1. Fixed costs will increase to shs. 700,000 where activity is in excess of 110,000 units. Fixed costs will fall to sh. 480,000 where activity level is less than 90,000 units.

2. Variable costs will fall by 5% per unit (cake) of all units were activity is an excess of 100,000 cakes because of the economics of scale.

The actual results of the period in which 115,000 units (cakes) were produced and sold were:

i) Sales revenue sh. 2,242,500
ii) Variable costs sh. 1,320,000
Fixed costs 670,000

Required:

a) Prepare a summary which shows the budgetal results for activity levels from 80,000 to 120,000 cakes using the above information. **(6 marks)**

b) Prepare a control statement company budgeted with actual results where fixed budget system is used based on 100,000 units. **(6 marks)**