TECHNICAL UNIVERSITY OF MOMBASA School of Business

DEPARTMENT OF ACCOUNTING AND FINANCE

DIPLOMA IN ACCOUNTANCY

DIPLOMA IN HUMAN RSOURCE MANAGEMENT

DIPLOMA IN BUSINESS ADMINISTRATION

DIPLOMA IN PROCUREMENT AND MATERIAL MANAGEMENT

DIPLOMA IN BUSINESS MANAGEMENT

BAC 2210 COST ACCOUNTING

END OF SEMESTER EXAMINATIONS

SERIES: MAY 2016

TIME: 2 HOURS

INSTRUCTIONS:

THIS PAPER CONSISTS OF FIVE QUESTIONS.

ANSWER QUESTION ONE { COMPULSORY} AND ANY OTHER TWO QUESTIONS.

DO NOT WRITE ON THE QUESTION PAPER.

QUESTION ONE

The stock control and recording system of the retailing division has been computerized. Each garment is coded and, when sold, the code number, quantity and sales value are keyed on the cash till which is linked with the computer. Regarding stock code EVD001-Stylish Evening Dress the computer system gives the following information:

Maximum stock level 5500

Estimated delivery period: Maximum 4 months

Minimum 2 months

Usage per month: Maximum 1100

Minimum 900

Required:

a) Re- order level
b) Re-order quantity
c) Minimum stock level
d) Average stock level
2 marks
2 marks
2 marks

II) A product has a PV ratio or C|S ratio or Contribution margin of 0.3 and Fixed costs shs 6000

Required:

a) Break- even point in sales valueb) Calculate the profit if the current sales is shs 800003 marks

- III) List six assumptions underlying the Cost Volume Profit or break even analysis 6 marks
- IV) Your Company is considering installing a Costing system and is examining ways in which different classifications of cost can assist management.

Required:

Outline how costs can be classified 10 marks

QUESTION TWO

The following information is provided by Budaka Bugwere Koizeyo soap manufacturers Ltd for the year ended 31 December 2015:

	Shs
Direct material	100000
Direct labour	80000
Direct expense	35000
Indirect factory costs	55000
Administration costs	30000
Selling and distribution costs	30000
Research and development costs	70000

The Company expects to make a **20% profit** on **the selling price** of its products.

Required

Prime cost	4 marks
Factory production cost	4 marks
Total cost	4 marks
Selling price	4 marks
	Factory production cost Total cost

e) Sunk costs are irrelevant when providing decision- making information. Explain

4marka

QUESTION THREE

Describe the general features of time based and individual performance based, remuneration systems and outline the relative merits and demerits of each 20 marks

QUESTION FOUR

- a) Distinguish between Overhead allocation, Overhead apportionment and Overhead absorption.
 6 marks
- b) Amagumba gameketa ltd provides the following information:

Before start of year 2015:

Budgeted overhead shs 12000

Budgeted machine hours 2000

During the year 2015:

Actual machine hours worked 2400

At year end 2015:

Actual overhead shs 1	15000
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Required:

a)	Pre determined overhead absorption rate	3 marks
b)	Absorbed overhead in the year 2015	3 marks

c) Over or under absorbed overhead 3 marks

d) Give two reasons that give rise to under or over absorbed overhead.

3 marks

e) What is that is the purpose of calculating overhead absorption rates?

2 marks

QUESTION FIVE

Changanyiko maalum ltd manufactures a product 'malwa kwete' through a single process. The following information is provided:

Input costs:

Material 25000 units each at shs 2.48

Labour 8000 hours at shs 5.50 per hour

Overheads shs 61600

Additional information

Normal loss is 4%

Scrap value per unit is shs 2

Output was 21000 units

Required:

a) Process accountb) Abnormal loss or gain account3 marks

c) Explain what you understand by:

Split off point 2 marks

Joint product 2 marks