TECHNICAL UNIVERSITY OF MOMBASA School of Business

DEPARTMENT OF ACCOUNTING AND FINANCE

DIPLOMA IN ACCOUNTANCY

DIPLOMA IN HUMAN RESOURCE MANAGEMENT

DIPLOMA IN BUSINESS ADMINIDTRATION

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 {Compulsory}

 a) Fanya kazi kwa bidii Ltd expects its employees to produce 5 units of output in one hour. The rate per hour is \$400. During one week under consideration an employee produces 250 units in 40 hours.

Required:	i)	Piece rate per unit	3 marks
	il)	Employee~s pay under the following metho	od~s of remuneration:
		*Straight piecework.	3 marks
		#The Halsey scheme.	4 marks

b) Maximum stock level of an item is that which can be held in stock at any time and stock should not exceed this quantity. This quantity is fixed so that there may be no overstocking.

	Required:	i)	What are the dangers of overstocking?	4 marks
		li)	What are the dangers of understocking?	4 marks
		iii)	What factors must be considered in setting re order level?	4 marks
c)	A Product has	a sel	ling price of \$3000 and a variable cost of \$1800. Fixed costs are \$240)00.
	Required:	i)	Break even point in units.	4 marks

Ii)How much in \$ must be sold to make a profit of \$16000 ?4 marks

QUESTION TWO

Mitumba Clothing Factory Ltd. has two departments, Weaving and Finishing. All the raw materials pass through the two departments before the final product is ready for sale.

The following information is available for the two departments:

	WEAVING DEPT.	FINISHING DEPT
Direct materials	\$150000	?
Direct labour	\$60000	\$83800
Overhead s absorbed	\$15200	\$69000
No. of good bales produced	1300	900
No. of normal loss scrapped bales	200	400
Selling price per scrapped bale	\$60	\$150

The good bales produced in the Weaving department are transferred to the Finishing department at cost.

Required

a)	Weaving department process account	8 marks
b)	Finishing department process account	8 marks
c)	Distinguish between normal and abnormal loss.	4 marks

QUESTION THREE

Distinguish between:

a)	Fixed costs and Variable costs	4 marks
b)	Cost unit and Cost centre	4 marks
c)	Fixed budget and Flexible budget	4 marks
d)	Straight piecework and Differential piecework	4 marks
e)	Opportunity cost and Sunk cost.	4 marks

QUESTION FOUR

a)	What are the assumptions underlying the cost volume profit analysis?	7 marks
----	--	---------

- b) List four assumptions of Economic Order Quantity {EOQ} 4 marks
- c) Demand for product ALIF is 1000 units per month. It costs \$400 to place one order and holding cost is \$100 per unit per annum. Find EOQ and the number of orders placed during the year.
 9 marks

QUESTION FIVE

Mjiwakale Company is divided into four departments Alif, Bei, Tei and Khe. The service department is khe. The actual overheads for a period are as follows

		\$
Rent	1000	
Repairs to plant	600	
Depreciation of plant	450	
Employer liability for insurance	150	
Supervision	1500	
Fire insurance in respect of stock	500	

Power	900
Light	120

The following information is available in respect of the four departments:

	DEPT.ALIF	DEPT.BEI	DEPT.TEI	DEPT.KHE
Area sq.metres	1500	1100	900	500
No. of employees	20	15	10	5
Total wages\$	6000	4000	3000	2000
Value of plant\$	24000	18000	12000	6000
Value of stock\$	15000	9000	6000	
Horse power plant	24	18	12	6

Required:

a)	Apportion the costs to the various departments on the most equitable basis and	l show the total
	overheads for each department.	14 marks.

b) Distinguish between overhead allocation, apportionment and absorption 6 marks.