



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF BUSINESS ADMINISTRATION
BACHELOR OF COMMERCE

BAC 4201: COST ACCOUNTING

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 2015

TIME: 2 HOURS

INSTRUCTIONS:

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

This paper consists of Three printed pages

QUESTION 1 (Compulsory)

- a) Highlight and explain the major assumptions behind C-V-P analysis. **(5 marks)**
- b) A company makes a single product with selling price of shs. 10 and a marginal cost of shs. 6. Fixed costs are shs. 60,000 p.a.

Required:

Calculate:

- i) The number of units to break-even. **(3 marks)**
- ii) Sales at break-even point. **(3 marks)**
- iii) Contribution to sales ratio (c/s). **(3 marks)**
- iv) What number of units will need to be sold to achieve a profit of shs. 20,000. **(3 marks)**
- v) What level of sales will achieve a profit of shs. 20,000. **(3 marks)**

- vi) Because of increasing costs, the marginal cost is expected to rise to sh. 6.50 per unit and fixed cost to shs. 70,000 p.a. if the selling price cannot be increased, what will be the number of units required to maintain a profit of shs. 20,000 p.a. (ignore tax). **(4 marks)**
- c) A cost is the value of economic resources used as a result of production of any commodity. However, cost can be classified based on cost behaviour. Briefly explain the following elements of cost as far as cost behaviour is concerned and examples of each cost:
- i) Variable cost **(2 marks)**
 - ii) Fixed cost **(2 marks)**
 - iii) Semi-variable **(2 marks)**

QUESTION 2

The following information was obtained from the records of Wood and Company for the year ended 31st December 2014.

Overheads	Shs.
Rent	160,000
Lighting	200,000
Insurance for employees	120,000
Plant maintenance	80,000
Repairs of plant	60,000
Depreciation of plant	240,000
Salaries	500,000

These expenses were to be apportioned using the following basis:

	A	B	C
Area M2	500	300	200
Number of employees	40	30	30
Value of plant	600,000	400,000	-

Required:

Overhead analysis sheet.

(20 marks)

QUESTION 3

The following information relates to two employees:

	Pili	Kili
Units produced	1,200	1,000
Time allowed per unit hours	1.5	2.8
Time taken (hours)	1,650	2,400
Rate per hours (shs)	40	50
Rate per unit (shs.)	60	110

Required

- a) Using the piece rate method determine the gross earning for each employee. **(10 marks)**
- b) Using the Halsey 50% premium bonus scheme method determine.
- The gross earnings for each employee.
 - Labour cost per unit. **(10 marks)**

QUESTION 4

- a) Outline **FIVE** purposes of standard costing. **(10 marks)**
- b) List and explain the **FIVE** standards that can be used by a business. **(10 marks)**

QUESTION 5

- a) Briefly explain the economic order quantity (EOQ) assumptions. **(5 marks)**
- b) Briefly explain the factors affecting stock levels. **(5 marks)**
- c) A company has a forecasted demand of 1,000 units per month, the ordering cost is shs. 350 per order, the units cost shs. 8 each and it is estimated that carrying costs are 15% per unit cost per annum.

Required:

Calculate the Economic Order Quantity (EOQ) of the company. **(10 marks)**