



**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**

SPECIAL/SUPPLEMENTARY EXAMINATIONS

**SERIES: FEBRUARY 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***

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**QUESTION 1 (Compulsory)**

- a) Write brief notes distinguishing the following cost accounting terminologies:
- i) Cost centre and profit centre.
  - ii) Cost unit and unit cost
  - iii) Overhead apportionment and overhead absorption
  - iv) Variable costs and fixed costs.

**(12 marks)**

- b) Uwezo Enterprises Ltd has four cost centres A, B, C and Z. Z is a service cost centre. For the year ended 31<sup>st</sup> March 2014, the following overhead costs were incurred.

	<b>Sh.</b>
Rent	100,000
Plant repairs	32,000
Plant depreciation	36,000

Lighting	9,600
Supervision	96,000
Fire insurance	10,000
Employers liability insurance	8,000

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

	A	B	C	Z
Number of employees	40	30	20	10
Area in square metres	3,800	1,200	2,200	800
Total wages (sh.)	216,000	144,000	96,000	48,000
Value of stock (sh.)	480,000	240,000	120,000	60,000
Value of plant (sh.)	840,000	600,000	360,000	120,000

**Required:**

Prepare an overheads analysis sheet.

**(18 marks)**

**QUESTION 2**

a) The budgeted overheads of Baseto Printers Ltd for the year are given below:

Department	Amount of Overhead Sh.	Overhead Absorption base
Typesetting	1,500,000	15,000 labour hours
Plate making	2,000,000	2,500 labour hours
Printing	3,000,000	3,000 labour hours
Binding	1,200,000	2,000 labour hours

Selling and administration overheads are charged at 10% of production. Costs is added on total cost at 50%. An order of 2,000 books was received from a publisher.

The following information was recorded with regards to this order.

Materials: paper 3,000 sheets @ 29 per sheet. Others materials sh. 23,000.

Labour

Typesetting	150 hours @ sh. 120 per hour
Plate making	46 hours @ sh. 150 per hour
Printing	60 hours @ sh. 200 per hour
Binding	100 hours @ sh. 100 per hour

**Required:**

Determine the production cost, total cost and unit selling price for the batch.

**(20 marks)**

### QUESTION 3

- a) Discuss any **FOUR** assumptions of break-even analysis. **(8 marks)**
- b) Cordo Enterprises Ltd operates a Rowan Premium bonus scheme for its production workers. During the week ended 19<sup>th</sup> August 2014 Musyoka whose basic hourly rate of pay is sh. 80 was assigned the following jobs which he completed.

Job	Time allowed (hours)	Time taken (hours)
120	24	18
340	40	25

**Required:**

- i) What is his remuneration for the week?
- ii) What is his effective hourly rate per week?
- iii) If job 120 is an order for 40 units of which 8 got spoilt and job 340 is an order for 50 units of which 2 got spoilt, what is the effective cost per good units. Assuming both jobs entail same production. **(12 marks)**

### QUESTION 4

- a) Discuss **FOUR** factors that are considered by organizations when setting stock levels. **(8 marks)**
- b) Discuss **FOUR** benefits of budgeting to an organization. **(8 marks)**
- c) Outline **FOUR** advantages of FIFO (First-in-First-Out) method of stock valuation. **(4 marks)**

### QUESTION 5

- a) The following information relates to product w.
- Standards per unit of product.  
Direct materials: 4 kg at sh. 75 per Kg  
Direct labour: 2 hours @ sh. 1,600 per hour
  - During the year ended 31<sup>st</sup> October 2014 the following details relating to the product were reported.
    - Direct material purchased and used were 180,000 Kg costing sh. 1,2600,000
    - Direct labour was 78,000 hours costing sh. 13,650, 000.
    - Output produced was 38,8000 units

**Required:**

Direct material and direct labour cost variances showing total variance and splitting each into quantity and price variances.

**(12 marks)**

- b) Discuss how costs can be classified based on cost function. **(8 marks)**