TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN PROCUREMENT AND MATERIALS MANAGEMENT
DIPLOMA IN HUMAN RESOURCE MANAGEMENT
DIPLOMA IN BUSINESS ADMINISTRATION
DIPLOMA IN BUSINESS MANAGEMENT
DIPLOMA IN ACCOUNTANCY

BAC 2110: COST ACCOUNTING

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 2014

TIME: 2 HOURS

INSTRUCTIONS:

- This paper consists of **FIVE** questions.
- Answer question **ONE (Compulsory)** and any other **TWO** questions.

This paper consists of Five printed pages.

QUESTION 1 (Compulsory)

a) Expo Company Ltd makes a chemical that passed through production processes 1,2 and 3 in the month of August 6000 litres of basic raw material priced at shs. 240,000 were introduced into process 1. Subsequently, the following costs were incurred:

Elements of costs	**Total**	**Process**		
		1	**2**	**3**
Direct material (additional)	Shs. 87,500	30,000	40,000	17,500
Direct labour	110,000	40,000	50,000	20,000
Direct expenses	16,900	6,000	1,600	9,300

Normal loss per process was estimated as

Process 1	10%
Process 2	5%
Process 3	8%

Output of each process was:

Process 1	5,300
Process 2	5,000
Process 3	4,700

Production overhead is absorbed by each process on a basis of 50 per cent of the costs of direct labour
The loss in each process represented scrap material which could be solid of the following values

Process 1	Sh. 20 per unit
Process 2	Sh. 44 per unit
Process 3	Sh. 65 per unit

Required:

i) Prepare separate process accounts for each of the three processes.

ii) Prepare the abnormal loss and abnormal gain accounts. **(10 marks)**

b) What factors affect the stock levels in organisation. **(5 marks)**

c) Write short notes on the following:
   i) Cost unit
   ii) Cost centre
   iii) A profit centre
   iv) Costs object
   v) Responsibility centre
   vi) Controllable cost
   vii) Period costs
   viii) Uncontrollable costs **(15 marks)**

QUESTION 2

A manufacturing company produce tyres. In the year 2009, 100,000 tyres were produced by only 90,000 of them were sold. There was no opening and closing stock of work in progress

Production costs were as under

Materials	28,000,000
Labour	8,000,000
Production overheads	10,000,000
	46,000,000

60% of production overhead is fixed. The average selling price for each tyre was sh. 600. Selling and administration expenses for the year amounted to sh. 3,000,000 of which sh. 1,200,000 were fixed.

Required

a) Profit and loss account on marginal and absorption on costing basis. **(15 marks)**

b) A company has the forecasted demand of 2,000 units per month, the ordering costs is sh. 450 per order, the unit costs sh. 16 each and it is estimated that carrying costs are 15% per annum.

Required

E.O.Q. **(5 marks)**

QUESTION 3

a) The following information is extracted from the books of ABC Ltd for the year ending 31st December 2013.

	Shs.
Opening stocks:	
Raw materials	17,500
Finished goods	12,500
Closing stocks:	
Raw materials	14,000
Finished goods	22,500
Salaries:	
Sales department	170,000
Office and general	55,000
Purchase of raw materials	210,000
Carriage:	
Inwards	2,500
Outwards	4,000
Power and light:	
Factory	4,000
Office general	1,000
Direct wages	70,000
Sales	680,000

Required: Prepare a statement to show:

i) Costs of raw materials used
ii) Costs of goods manufactured
iii) Costs of goods sold
iv) Profit or loss made during the year. **(15 marks)**

b) Distinguish between direct material cost and indirect material costs. **(4 marks)**

QUESTION 4

a) Briefly explain the economic order quantity assumptions. **(5 marks)**

b) The following information relates to stores ledger card for product B

January	1st	Received 500 units @ 20
	9th	received 300 units @ 22
	10th	Issued 400 units
	15th	Received 200 units @ 25
	25th	Issued 300 units
	27th	Received 200 units @ 26
	31st	Issued 100 units

Required:
Prepare a stores ledger card and show the value of closing stock and cost of sales on 31st January under the Weighted Average Method. **(5 marks)**

c) Total output of A. Baker for one week was 480 units. He was allowed 8 minutes per unit. He completed these units in 52 hours. His wage rate per hour is sh. 18

Required: A Baker's total wage according to:
i) Halsey scheme
ii) Rowan scheme
iii) Halsey weir scheme **(10 marks)**

QUESTION 5

a) Citing suitable examples explain how costs can be classified on cost behaviour. **(5 marks)**

b) What are assumptions of break-even charts? **(5 marks)**

c) Kasanga Consumer Products Ltd manufactured products S and T and the following information is available from its records

Product S	**Shs.**
Selling price per unit	20
Variable cost per unit	4
Fixed costs of operation per month	100,000
Product T	**Sh.**
Selling price per unit	24
Variable costs per unit	16
Fixed costs of operation per month	68,000

Required:
i) Break-even point of each product in both units and sales
ii) Profit of each product if sales in units are 30% above break-even point. **(7 marks)**

d) What is the purpose of cost accounting? **(3 marks)**