# 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 method~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

Ii) 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 selling price of $3000 and a variable cost of $1800. Fixed costs are $24000.

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 show the total overheads for each department. 14 marks.

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