

# TECHNICAL UNIVERSITY OF MOMBASA

## School of Business

DEPARTMENT OF ACCOUNTING AND FINANCE

DIPLOMA IN ACCOUNTANCY

DIPLOMA IN HUMAN RESOURCE MANAGEMENT

DIPLOMA IN BUSINESS ADMINISTRATION

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

- I) The stock control and recording system of the retailing division has been computerized. Each garment is coded and, when sold, the code number, quantity and sales value are keyed on the cash till which is linked with the computer. Regarding stock code EVD001-Stylish Evening Dress the computer system gives the following information:

Maximum stock level		5500
Estimated delivery period:	Maximum	4 months
	Minimum	2 months
Usage per month:	Maximum	1100
	Minimum	900

Required:

- a) Re- order level 2 marks
  - b) Re-order quantity 2 marks
  - c) Minimum stock level 2 marks
  - d) Average stock level 2 marks
- II) A product has a PV ratio or C|S ratio or Contribution margin of 0.3 and Fixed costs shs 6000
- Required:
- a) Break- even point in sales value 3 marks
  - b) Calculate the profit if the current sales is shs 80000 3 marks
- III) List six assumptions underlying the Cost Volume Profit or break even analysis 6 marks
- IV) Your Company is considering installing a Costing system and is examining ways in which different classifications of cost can assist management.

Required:

Outline how costs can be classified 10 marks

## QUESTION TWO

The following information is provided by Budaka Bugwere Koizeyo soap manufacturers Ltd for the year ended 31 December 2015:

	Shs
Direct material	100000
Direct labour	80000
Direct expense	35000
Indirect factory costs	55000
Administration costs	30000
Selling and distribution costs	30000
Research and development costs	70000

The Company expects to make a **20% profit** on **the selling price** of its products.

Required

- a) Prime cost 4 marks
- b) Factory production cost 4 marks
- c) Total cost 4 marks
- d) Selling price 4 marks
- e) Sunk costs are irrelevant when providing decision- making information. Explain

4marka

### QUESTION THREE

Describe the general features of time based and individual performance based, remuneration systems and outline the relative merits and demerits of each 20 marks

### QUESTION FOUR

- a) Distinguish between Overhead allocation, Overhead apportionment and Overhead absorption. 6 marks
- b) Amagumba gameketa ltd provides the following information:

Before start of year 2015:

Budgeted overhead shs 12000

Budgeted machine hours 2000

During the year 2015:

Actual machine hours worked 2400



