



**TECHNICAL UNIVERSITY OF MOMBASA
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING & FINANCE**

**UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF BUSINESS ADMINISTRATION (BBA)
BACHELOR OF COMMERCE (BCOM)**

BAC 4201: COST ACCOUNTING

END OF SEMESTER EXAMINATIONS

SERIES: MAY 2016

TIME: 2 HOURS

INSTRUCTIONS:

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- Answer Question **ONE (Compulsory)** and any other **TWO** Questions.

QUESTION 1 (Compulsory)

- a) Uchumi supermarket wants to open an outlet to sell Uchumi sausages only. The price of sausage pack is expected to be Shs.260 per pack. The operating costs of the store are as follows:

Fixed expenses:

	Shs.
Rent	110,000
Salaries	352,000
Electricity	40,000
Water	96,000

Variable cost per pack is Shs.220.

Required:

- a) i) Contribution per unit. **(2 marks)**
ii) Number of units to break-even point. **(2 marks)**
iii) Sales at break-even point **(2 marks)**
iv) Number of units for a targeted profit of shs.60,000. **(2 marks)**
v) Number of sales for a targeted profit of shs. 60,000. **(2 marks)**
- b) Highlight and explain FIVE assumptions of C-V-P analysis **(10 marks)**
- c) A company produces and sells a particular product. During the month of July 2015, 7500 units were produced. Product cost per unit was as follows:

	Cost per unit
Direct materials	37.50
Direct labour	18.75
Variable overhead	26.25
Fixed overhead	35.00

The selling price per unit is Shs.150.

Required:

- Prepare both marginal and absorption costing statements showing the profit or loss realized. **(10 marks)**

QUESTION 2

- a) Explain THREE different basis of apportionment of overheads. **(6 marks)**
- b) The following information was extracted from Hapo Jee Company Limited which has three departments A,B, C for the month of July 2015.

<u>Overheads</u>	<u>Shs.</u>
Rent	20,000
Depreciation of plant	9,600
Supervision	30,000
Canteen expenses	8,000
Power	26,400
Lighting and heating	4,800

These expenses were to be apportioned using the following basis:

	A	B	C
Area M2	3,000	2,200	2,800
Number of employees	40	30	30
Plant value	480,000	360,000	360,000
Horse power	200	2,200	-

Required:

Prepare an analysis sheet using a suitable basis of apportionment. **(14 marks)**

QUESTION 3

- a) Define a variance **(2 marks)**
- b) The production manager of Ukweli Ltd. has presented the following data relating to a particular product.

Standard cost per unit of the product.

- Direct material - 4kg at Shs.75 per kg.
- Direct labour - 2 hours at shs.160 per hour

Actual results for a financial period.

- Output produced 38,000 units.
- Direct material purchased 180,000 kg for shs.12,600,000
- Material issues to production 154,000kg.
- Direct labour 78,000 hours for shs.13,650,000

Required:

Calculate the following variances:

- i) Direct material usage variance (3 marks)
- ii) Direct material price variance (3 marks)
- iii) Direct labour price variance (3 marks)
- iv) Direct labour efficiency variance. (3 marks)
- v) Direct materials cost variance. (3 marks)
- vi) Direct labour cost variance (3 marks)

QUESTION 4

- a) Outline FIVE assumptions underlying the determination of EOQ (10 marks)
- b) The following information relates to the supply of Khangas at Duka La Abdalla at Biashara street

Minimum usage 18,000 units per week
Maximum usage 40,000 units per week
Lead time 12 – 16 days
Economic Order Quantity (EOQ) 480,000 units

Required:

Calculate:

- i) Re-order level (3 marks)
- ii) Minimum stock level (3 marks)
- iii) Maximum stock level (2 marks)
- iv) Average stock level (2 marks)

QUESTION 5

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