



**TECHNICAL UNIVERSITY OF MOMBASA**  
**School of Business**

DEPARTMENT OF BUSINESS ADMINISTRATION  
UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF BUSINESS ADMINISTRATION  
BACHELOR OF COMMERCE

**BAC 4201: COST ACCOUNTING**  
END OF SEMESTER EXAMINATIONS  
**SERIES: MAY 2016**  
**TIME: 2 HOURS**

**Instructions to Candidates**

You should have the following for this examination

- *Answer Booklet*
- *Examination Pass*
- *Student ID*

This paper consists of five questions.

Attempt question ONE (Compulsory) and any other TWO questions

This paper consists of **THREE** printed pages

**Do NOT write on the question paper**

**Mobile phones are NOT allowed in the examination room**

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**QUESTION 1 (Compulsory)**

- a) Explain how costs can be classified according to cost behaviour. **(10 marks)**
- b) Uchumi Supermarket wants to open an outlet to sell Uchumi sausages only. The price of sausage pack is expected to be sh. 260 per pack. The operating costs of the store are as follows:

<b>Fixed expenses</b>	<b>Sh.</b>
Rent	110,000
Salaries	352,000
Electricity	40,000
Water	96,000

Variable cost per pack is sh. 220.

**Required:**

- Break-even point in sales and units.
- Suppose the company wants to make a profit of sh. 60,000 what number of units must it sell to make this profit? **(12 marks)**

c) What are the assumptions of break-even analysis. (C-V-P). (8 marks)

## QUESTION 2

The following information was obtained from the records of Tree and Wood Company for the year ended 31<sup>st</sup> December 2014:

<b>Overheads</b>	<b>Shs.</b>
Salaries	180,000
Rent	100,000
Advertising	9,000
Depreciation of vehicles	260,000
Insurance of vehicles	140,000
Lighting	48,000

These expenses were apportioned using the following basis:

	<b>A</b>	<b>B</b>	<b>C</b>
Area M <sup>2</sup>	2,000	1,000	1,000
No. of employees	30	20	10
Sales value	3,000,000	2,000,000	1,000,000
Value of vehicles	1,000,000	6,000,000	4,000,000

### **Required:**

Overhead analysis sheet.

(20 marks)

## QUESTION 3

The following data relates to a product standards per unit of product.

Direct material 4Kg at sh. 75 per Kg.

Direct labour – 2 hours at sh. 160 per hr.

Actual results for a financial period.

Output produced 38,000 units

Direct materials purchased 180,000 Kg. for sh. 12,600,000.

Material issues to production 154,000Kg.

Direct labour 78,000 hrs for sh. 13,650,000.

### **Required:**

- Direct material usage variance
- Direct material price variance
- Direct labour price variance
- Direct labour efficiency variance.

(20 marks)

#### QUESTION 4

Toboa Ltd produces and sells products. During the month of May 2014, 7,500 units were produced. Product cost per unit was as follows:

	<b>Cost per unit</b>
	<b>Sh.</b>
Direct materials	37.50
Direct labour	18.75
Variable overhead	26.25
Fixed overhead	35.00

The selling price per unit is sh. 150.

**Required:**

Prepare both marginal and absorption costing statements showing the profit or loss realized. **(20 marks)**

#### QUESTION 5

List and explain **FIVE** types of standards that can be used by a business.

**(20 marks)**