



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

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

BAC 4201: COST ACCOUNTING

SUPPLEMENTARY/SPECIAL EXAMINATIONS

SERIES: OCTOBER 2014

TIME: 2 HOURS

INSTRUCTIONS:

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

This paper consists of Three printed pages

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:

| Fixed expenses | |
|-----------------------|------------|
| | Sh. |
| Rent | 110,000 |
| Salaries | 352,000 |
| Electricity | 40,000 |
| Water | 96,000 |

Variable cost per pack is sh. 220.

Required:

- i) Break even point in sales and units.
 - ii) 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 31st December 2014:

| Overheads | Shs. |
|--------------------------|-------------|
| 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:

| | A | B | C |
|---------------------|-----------|-----------|-----------|
| Area M ² | 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:

- a) Direct material usage variance
- b) Direct material price variance
- c) Direct labour price variance
- d) 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:

| | Cost per unit |
|-------------------|----------------------|
| | Sh. |
| 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)