TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATION FOR:

DBM, DHRM, DSTM, DPMM, DFOO, DSH, DSSO

BAC 2110: COST ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: AUGUST 2019

TIME: 2 HOURS

DATE: AUGUST, 2019

Instructions to Candidates

You should have the following for this examination

-*Answer Booklet, examination pass and student ID*

This paper consists of **FIVE** questions. Attempt question ONE (Compulsory) and any other TWO questions.

Do not write on the question paper.

QUESTION ONE

a) Explain FIVE differences between cost accounting and financial accounting **(10 marks)**

b) The data below relates to material XZ.

Minimum usage	18,000 units per week
Maximum usage	40,000 units per week
Lead time	12-16 weeks
Economic order quantity	480,000 units

Required:

i) Re-order level **(3 marks)**

ii) Minimum stock level **(3 marks)**

iii) Maximum stock level **(3 marks)**

iv) Average stock level **(3 marks)**

c) Explain the importance of cost accounting **(8 marks)**

QUESTION TWO

a) Kim ltd produces and sells products B20. During the month of July 2018, 7,500 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 overheads	35

The selling price per unit is shs 150

Required:

i) Prepare a marginal costing statement showing the profit or loss realized **(8 marks)**

ii) Product B20 can be purchased from another manufacturer at shs 90 per unit. Advise the management whether the product should be purchased or manufactured **(6 marks)**

b) Explain THREE importance of cost accounting **(6 marks)**

QUESTION THREE

a) Highlight and explain five assumptions of C.V.P analysis **(5 marks)**

b) A company makes a single product with a sales price of shs 10 and a marginal cost of shs 6. Fixed costs are shs 60,000

Required

i) Number of units to break even

ii) Sales at break even point

iii) What number of units will need to be sold to achieve a profit of sh 20,000 per annum

iv) What number of units will need to be sold to achieve a profit of sh 20,000 per annum with 40% tax

v) Because of increasing costs, the marginal cost is expected to rise to shs 6.50 per unit and fixed cost to shs 70,000 per annum. If the selling price cannot be increased, what will be the number of units required to maintain a profit of shs 20,000 per annum? **(15 marks)**

QUESTION FOUR

a. Naivas supermarket wants to open an outlet to sell Naivas 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 sh 220

Required:

i) Break-even point in sales and units **(5 marks)**

ii) Suppose the company wants to make profits of sh 60,000 what number of units must it sell to make this profit **(5 marks)**

b. State 5 assumptions of Break-even point **(10 marks)**

QUESTION FIVE

Write short explanatory notes on the following:

i) Cost centre

ii) Profit centre

iii) Fixed costs

iv) Variable costs

v) Prime costs **(20 marks)**