



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

BACHELOR OF COMMERCE II

BACHELOR OF IN BUSINESS ADMISTRATION II

BAC 4201: COST ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: AUGUST, 2019

TIME: 2HOURS

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) The following information relates to the construction of one of the warehouses during the financial year ended 31 December 2018.

	Sh.'000'
Materials:	
Direct purchases	16,000
Issued from stores	3,200
Labour wages	14,400
Depreciation on plant and machinery	3,200
Direct expenses	1,120
Share of general overheads	640
Materials carried down: 31 December 2018	320
Wages accrued: 31 December 2018	1,600

Direct expenses accrued: 31 December 2018	160
Cash received from client	45,792
Cost of work not certified	1,440
Value of work certified	58,880

Additional information:

1. The contract price for the above warehouse was agreed at Sh.68,800,000.
2. The retention money was agreed at 10% of the value of work certified.

Required:

- (i) Contract account for the year ended 31 December 2018 **(16 Marks)**
(ii) Contractee account as at 31 December 2018 **(4 Marks)**
- (b) Discuss Five differences between cost accounting and financial accounting **(10 Marks)**

Question Two

Rangi Ltd. makes a chemical that passes through production processes 1, 2 and 3. In the month of August 2018, 6000 units were input at a price of sh.4 per unit. The following costs were incurred.

Elements of Cost	Total Sh.	Process		
		1 Sh.	2 Sh.	3 Sh.
Direct material added	8,750	3,000	4,000	1,750
Direct labour	11,000	4,000	5,000	2,000
Direct expenses	2,210	600	160	1,450
Other rates:				
Normal loss as % of input		10%	5%	8%
Output units		5,300	5,000	4,700
Realisable value of loss in sh. Per unit		2	4.4	5.5

Production overhead is 50% of direct labour cost.

Required:

- (i) Process 1 account **(6 marks)**
(ii) Process 2 account **(6 marks)**
(iii) Process 3 account **(6 marks)**
(iv) Abnormal loss account **(2 marks)**

Question Three

BetMarch Ltd, a company that manufactures local mobile phones provided the following information about operations during the financial year ended 30 September 2018.

Production	40,000 units
Sales	30,000 units

Production costs incurred

	Sh.
Direct materials	4,800,000
Direct labour	1,200,000
Variable overheads	1,000,000
Fixed overheads	1,500,000

Selling and administrative costs

Sales salaries	300,000
Sales commission (variable)	200,000
Advertising and promotion	320,000
Other costs (fixed)	480,000

The unit selling price for the company's product is sh.600.

Required:

- (a) Draft the operating statement of BetMarch Ltd using:
- i) Marginal costing methods **(9 marks)**
 - ii) Absorption costing methods. **(9 marks)**
- (b) Explain the difference in the profits under the two methods. **(2 marks)**

Question Four

Company has 3 production departments and two service departments. Overhead of these departments for a specific period are as follows:

	Production Department			Service Departments	
	P	Q	R	A	B
	Shs.	Shs.	Shs.	Shs.	Shs.
Initial allocation	25,000	20,000	15,000	10,000	7,800

The overhead of service departments are charged out as under:

	Department				
	P	Q	R	A	B
Service Department A	30%	30%	20%	-	20%
Service Department B	40%	30%	20%	10%	-

Required:

Show the total overhead chargeable to the three production departments by using simultaneous equation method. **(12 marks)**

(b) Why should a company install a cost accounting system? **(8 marks)**

Question Five

(a)

(b) Describe how costs can be classified based on:

(i) Cost behaviour

(ii) Cost function

(10 marks)