



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) Maimuna traders want to open a branch and sell juice only. The price of a litre of juice is expected to be shs 260. 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 litre is shs 220

Required:

- i) Contribution per unit **(2 marks)**
- ii) Number of units to break even **(2 marks)**
- iii) Sales at break-even point **(2 marks)**
- iv) Number of units for a target profit of shs 60,000 **(2 marks)**
- v) Number of sales for a target profit of shs 60,000 **(2 marks)**

- b) Highlight and explain FIVE assumptions of CVP analysis **(10 marks)**
 c) Explain the Economic order quantity assumptions **(10 marks)**

QUESTION TWO

A company produces and sells a particular product. During the month of July 2018, 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 the marginal and absorption costing statements showing the profit or loss realized **(20 marks)**

QUESTION THREE

- 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 materials 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 154,000 kg

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 material cost variance (3 marks)
- vi) Direct labour cost variance (3 marks)

QUESTION FOUR

- 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)

QUESTION FIVE

Distinguish between the following terms

- a) Direct and indirect costs
- b) Fixed and variable costs
- c) Relevant and variable costs
- d) Controllable and uncontrollable costs (20 marks)