TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

DIPLOMA IN ACCOUNTANCY

DIPLOMA IN BUSINESS MANAGEMENT

DIPLOMA IN BUSINESS ADMINISTRATION

DIPLOMA IN PROCUREMENT AND MATERIAL MANAGEMENT

DIPLOMA IN HUMAN RESOURCE MANAGEMENT

DIPLOMA IN SALES AND MARKETING

BAC 2110:COST ACCOUNTING

SUPPLEMENTARY EXAMINATION

SERIES: July 2022 Select series

TIME:2HOURS

DATE: July2022

Instructions to Candidates
You should have the following for this examination
-Answer Booklet, examination pass and student ID
This paper consists of **FIVE** questions. Attemptquestion ONE (Compulsory) and any other TWO questions.
Do not write on the question paper.

Question ONE

Your Company is considering installing a Costing system and is examining ways in which different classifications of cost can assist management.

Required:

a **Outline how costs can be analyzed and classified.** **10 marks**

b **Viazi, kunazi and mbazi Ltd produces a single product. The fixed budget for last year was based on production of 10 units is given below**

Sales	**Ksh. 20000**
Variable cost	**Ksh. 6000**
Fixed cost	**Ksh. 2000**
Variable selling overhead	**<u>Ksh. 3000</u>**
Total cost	**<u>Ksh. 11000</u>**
Profit	**Ksh. 9000**

The actual production last year was 8 units.

Required **Flexible budget for production and sale of 8 units.** **10 marks**

C **Huisi Ltd manufactures a single product Nayuwa which it sells at Ksh. 10 each. The variable cost per unit is Ksh. 6 and fixed costs are Ksh. 4000.**

Required:

I **Break even point in sales value.** **4 marks**

II **Margin of safety if current sales are Ksh. 25000** **2 marks**

III **Explain the relationship that exist between Budgeted Overhead, Absorbed overhead and Actual overhead.** **4 marks**

Question TWO

Kamugwe muganda Ltd budgeted and actually manufactured 400 cars and 300 of them were sold. The following additional information is provided:

Unit selling price per car	**Ksh. 1000**
UNIT PRODUCTION COST PER CAR	**Ksh.**
Material	**200**
Labour	**100**
Variable production overhead	**100**
Variable selling overhead	**50**

Fixed production overhead for the year was Ksh. 60000 and Fixed administration

overhead Ksh. 20000. The normal operating capacity is 400 cars.

Required:

a	Marginal costing profit statement	8 marks
b	Absorption costing profit statement	8 marks
c	Cause of the profit difference	4marks

Question THREE

a Distinguish a joint product and a by product in process costing. 4 marks

b You are provided with the following information for a manufacturing company for the year just ended:

Budgeted overhead	Ksh. 5000
Actual overhead incurred	Ksh. 5400
Budgeted output units	1000 units
Actual output units	1200 units
Budgeted Machine hours	2500 machine hours
Actual Machine hours	2000 machine hours
Budgeted direct labour hours	5000 direct labour hours
Actual direct labour hours	4000 direct labour hours

Required:

Overhead absorption or recovery rate based on:

1	Output units	2 marks
II	Machine hours	2 marks
III	Direct labour hours	2 marks

c)Calculate Absorbed overheads if Machine hours is the basis of absorption. 3 marks

d)Calculate over or under absorbed overheads based on Machine hours. 3 marks

e)Give two reasons that cause over or under absorption of overheads. 4 marks

Question FOUR

a The following data refers to Tarumbeta Leo Ltd which manufactures a single product:

Number of units produced	**1,2,3,4,5,6,7,8,9, 10.**
Selling price per unit	**Ksh. 1200**
Variable cost per unit	**Ksh. 600**
Fixed cost	**Ksh. 3000**

Required

Using your graph paper provided in your exam booklet, draw a Cost Profit Volume graph.

Show all the necessary details including the margin of safety.
10 marks

B Changanyikomaalum ltd manufactures a product 'malwakweteonanyerenyere' through a single process.

The following information is provided:

Input costs:

Material 25000 units each at shs 2.48

Labour 8000 hours at shs 5.50 per hour

Overheads shs 61600

Additional information

Normal loss is 4%. Scrap value per unit is shs 2 and output was 21000 units.

Required:

a) **Process account** **8 marks**
b) **Abnormal loss or gain account** **2marks**

Question FIVE

a Distinguish between

I Ideal Standard and an attainable standard. **4 marks**

11 Material price variance and Material usage variance **4 marks**

b A Company expects its employees to produce 5 units in one hour and is paidKsh. 400 for that hour.

The Company has a 40 hour working week. Any excess hours are paid overtime at time and a half. Bonus is paid using Halsey premium bonus scheme.Employee Ali completed300 units in 48 hours.

Required

Calculate earnings for the week if the employee is paid at

I	**Piece rate**	**4 marks**
ii	**Basic earnings plus overtime plus bonus.**	**8 marks**