



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING & FINANCE
UNIVERSITY EXAMINATION FOR:
DIPLOMA IN SUPPLY CHAIN MANAGEMENT

BAC 2210: COST ACCOUNTING
SUPPLEMENTARY/SPEC. EXAMINATION

SERIES: JULY, 2022

TIME: 2 HOURS

DATE: Pick Date Jul 2022

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 the following terms of costing:

- i. cost unit (2 marks)
- ii. prime cost (2 marks)
- iii. cost center (2 marks)
- iv. variables cost (2 marks)
- v. fixed cost (2 marks)

b) the following information is provided concerning a particular raw material:

average usage 1000 kilos per day

minimum usage 800 kilos per day

maximum usage 1350 kilos per day

order quantity 9,000 kilos

the stock level is reviewed at the end of each day and an order is placed the following day if the normal re-order level has been reached. Delivery is reliably expected at the beginning of the fourth day following order.

Required

- a) calculate three normal control levels used for control purposes. (9 marks)
- b) Contrast the actual minimum stock level over the period with the normal control level established, and comment on the difference and any action required. (11 marks)

QUESTION TWO

Mitumba Clothing Factory Ltd. has two departments, Weaving and Finishing. All the raw materials pass through the two departments before the final product is ready for sale.

The following information is available for the two departments:

	WEAVING DEPT.	FINISHING DEPT
Direct materials	150000	?
Direct labour	60000	83800
Overhead s absorbed	15200	69000
No. of good bales produced	1300	900
No. of normal loss scrapped bales	200	400
Selling price per scrapped bale	60	150

The good bales produced in the Weaving department are transferred to the Finishing department at cost.

Required:

- a Weaving department process account 8 marks
- b Finishing department process account 8 marks
- c Distinguish between Normal and abnormal loss 4 marks
- (total 20 marks)**

QUESTION THREE

- a) A product has a PV ratio or C | S ratio or Contribution margin of 0.3 and Fixed costs shs 6000

Required:

- a) Break- even point in sales value 3 marks
- b) Calculate the profit if the current sales is shs 80000 3 marks

b.) List four assumptions underlying the Cost Volume Profit or break even analysis 4 marks

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

Required:

Outline how costs can be classified

10 marks

(total 20 marks)

QUESTION FOUR

a) Distinguish between Overhead allocation, Overhead apportionment and Overhead absorption.

6

marks

b) Amagumba gameketa ltd provides the following information:

Before start of year 2015:

Budgeted overhead shs 12000

Budgeted machine hours 2000

During the year 2015:

Actual machine hours worked 2400

At year end 2015:

Actual overhead shs 15000

Required:

a) Pre determined overhead absorption rate 3 marks

b) Absorbed overhead in the year 2015 3 marks

c) Over or under absorbed overhead 3 marks

d) Give two reasons that give rise to under or over absorbed overhead.

3 marks

e) What is that is the purpose of calculating overhead absorption rates?

2 marks

(total 20 marks)

QUESTION FIVE

Changanyiko maalum ltd manufactures a product 'malwa kwete' 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

Output was 21000 units

Required:

- a) Process account 13 marks
 - b) Abnormal loss or gain account 3 marks
 - c) Explain what you understand by split off point and joint products 4 marks
- (total 20 marks)**