



TECHNICAL UNIVERSITY OF MOMBASA
School of Business
DEPARTMENT OF ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATIONS DIPLOMA

BAC 2110: COST ACCOUNTING

MAIN EXAMINATIONS

SERIES: APRIL 2022

TIME: 2 HOURS

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) Write short notes on the following terms as used in store keeping
- i. Absorption costing and marginal costing (3marks)
 - ii. Periodic stock taking & continuous stock taking (2marks)
 - iii. Re-order level and Re-order quantity (2marks)
 - iv. Decentralized and centralized stores (3marks)
- b. Zetu manufacturing uses material K10 in its production. The following transaction relate to material for the month of September 2018

Date

2	Opening stock 500 units valued @1600
4	received 300 units @ sh. 10 each
10	issued 500units
16	received 300 units @ sh. 12 each
20	issued 300units
24	received 500 units @ sh. 15 each
30	issued 200 units

Required:

Prepare stores Ledger and determine the Determine the value of closing inventory:

- i) using First in First out (FIFO) Method
- ii) using Weighted Average Method (10marks)

QUESTION TWO

- a) Highlight the difference between Financial accounting and Cost accounting (8marks)

The following information relates to production department for the month of June 2019

Ksh.

Inventory 1 st June 2019	
-raw materials	60000
-work in progress	32000
Inventory 30 th June 2019	
-Raw materials	85000
-Work in progress	28000
Purchase of raw materials	530000
Carriage inwards	20000
Direct wages	240000
Factory overheads	210000
Administration overheads	90000
Selling and distribution overheads	124000

Prepare cost statement showing

- i) Prime cost
- ii) Factory cost
- iii) Total cost

(12marks)

QUESTION THREE

- a) The following information is provided

The material standard for one unit of product X is 2 tons at sh. 150 per ton, 11 000 tons were used at a cost of Sh. 1760000 and 6000 units were produced.

Required

- a) Calculate the following variances indicating whether they are favorable or unfavorable
- i) Material price variance (3marks)
 - ii) Material usage variance (4marks)
 - iii) Material cost variance (3marks)
- b) Discuss the advantages of standard costing (10mark)

QUESTION FOUR

- a) Explain Five benefits of cost accounting in an organization (10marks)
- b) Kitui limited allows workers to take 8 mins to complete 1unit. The total output of John for one week was 480 units. He completed these units in 52hours , his wage rate per hour is sh. 100

Required

Calculate John's total wage according to:-

- i) Halsey scheme (4marks)
- ii) Rowen scheme (3marks)
- iii) Halsey weir Scheme (3marks)

QUESTION FIVE

- a) Highlight five assumption of break even analysis (10marks)
- b) I & m company has annual demand for material X of 250000 tons per annum. The cost price per ton is Shs. 4000 and stockholding is 25% per annum of the stock value. Delivery cost per batch is 400.

Required

Calculate the economic order quantity EOQ (5marks)

- c) The fixed cost per month of a cost centre is sh. 40,000 and variable cost per unit is sh.50. The units produced in this cost centre in a specific month are 4,000 .

Required

Calculate the total cost (5marks)