# TECHNICAL UNIVERSITY OF MOMBASA

School of Business

Department of Accounting & Finance

**UNIVERSITY EXAMINATION FOR:**

DIPLOMA IN ACCOUNTANCY

DIPLOMA IN BUSINESS MANAGEMENT

DIPLOMA IN SUPPLY CHAIN MANAGEMENT

DIPLOMA IN PROCUREMENT MANAGEMENT

DIPLOMA IN HUMAN RESOURCE MANAGEMENT

DIPLOMA IN LOGISTICS AND TRANSPORT MANAGEMENT

BAC 2110: COST ACCOUNTING

END OF SEMESTER EXAMINATION

**SERIES: November 2024**

**TIME:** 2 HOURS

**DATE:**Pick DateNov 2024

**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.**

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**Question One (Compulsory)**

a) Discuss the role of cost accounting in the various departments in the organization **(5Mrks)**

b) Outline the advantages of budgetary control **(8Mrks)**

c) Kasuku Ltd. manufactures two brands of pen Light & Elite. The sales department of the company has three departments in different regions of the country. The sales budgets for the year ending 31st Dec, 2022 Light Pen, department I = 300,000; department II = 562,500;

department III = 180,000. Elite Pen, department I = 400,000; department II = 600,000; department III = 20,000. Sales prices are KES 30 for Light pen and KES 12 for Elite pen in all departments. It is estimated that by forced sales promotion the sales of Elite pen in department I will increase by 175,000. It is also expected that by increasing production and arranging extensive advertisement, department III will be enabled to increase the sale of Elite pen by 50,000. It is recognized that the estimated sales by department II represent an unsatisfactory target. It is agreed to increase both estimates of Light and Elite pen by 20% in this department II. **(17Mrks)**

**Question Two**

a) Discus the reasons for absorption of overheads **(5Mrks)**

b) The following information relates to Nasieku Ltd. You are required to use it in preparing the overhead analysis sheet for the company, showing clearly how the amounts are to be apportioned to each department. **(15Mrks)**

| **Overheads** | **Amount (KES)** |
|---|---|
| Consumables for Department **(A)** | 250,000 |
| Consumables for Department **(B)** | 150,000 |
| Consumables for Department **(C)** | 100,000 |
| Consumables for Department **(D)** | 50,000 |
| Depreciation of factory building | 1,000,000 |
| Supervision | 1,500,000 |
| Depreciation of equipment | 800,000 |
| Canteen | 900,000 |
| Heat and Air Conditioning | 500,000 |
| Insurance Equipment | 200,000 |

Additional information relating to each department is as follows

| **Department** | **Area occupied** | **No. of Employees** | **Book value of equipment** |
|---|---|---|---|
| **A** | 1,200 | 30 | 3,000,000 |
| **B** | 1,600 | 30 | 2,500,000 |
| **C** | 800 | 15 | 1,000,000 |
| **D** | 400 | 15 | 500,000 |

**Question Three**

Saikati Ltd is a company dealing in cooking fat. On 1st of November 2024, the company had a stock in hand comprising of 6,500 units valued at KES 42 per unit of its cooking fat. The transactions for the month of November 2024 were as follows:

| **Date** | **Purchases** | **Sales** |
|---|---|---|
| Nov 3 | 6,000 units @ KES 49 | |

| | | |
|---|---|---|
| Nov 6 | | 8,000 units |
| Nov 9 | 6,000 units @KES 51 | |
| Nov 13 | 7,000 units @ KES 52 | |
| Nov 15 | | 9,000 units |
| Nov 17 | | 4,000 units |
| Nov 21 | 8,000 units @ KES 56 | |
| Nov 23 | 9,000 units @ KES 46 | |
| Nov 26 | 8,000 units @ KES 51 | |
| Nov 28 | | 11,000 units |
| Nov 30 | | 3,000 units |

**Required**

i. Draw up the store's ledger card for the month of November 2024, assuming that the company uses the First in First Out (LIFO) stock Valuation technique. **(18Mrks)**

ii. Determine the valuation of the closing stock **(2Mrks)**

**Question Four**

a) Distinguish between cost, expenses and loses **(6Mrks)**

b) Using examples discuss the classification of costs according to natural characteristics **(9Mrks)**

c) Outline the underlying assumptions for the Cost Volume Profit Analysis **(5Mrks)**

**Question Five**

a) Outline four advantages and three disadvantages of Marginal Costing **(7Mrks)**

b) The following information relates to one of the products (Product X) manufactured by Lilongwe Ltd.

| **Details** | **Amount (KES)** |
|---|---|
| Direct Material | 175,000 |
| Direct Labor | 115,000 |
| Indirect Costs | 155,000 |

Additional information in relation to the cost behavior

i. All Direct materials behave as variable costs

ii. All Direct labor behaves as variable cost

iii. Out of the Indirect cost, KES 130,000 behaves as fixed cost while the remainder behaves as variable cost.

Required

i. Determine the cost of one unit of product (X) using marginal costing **(5Mrks)**

ii. Given that each unit of product (X) sells for KES 10 and that the company produced and sold a total of 50,000 units of product (X), determine the profit for the year using the marginal costing statement. In your marginal costing statement, show clearly the contribution per unit and the total contribution. **(8Mrks)**