



# TECHNICAL UNIVERSITY OF MOMBASA

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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:**AUGUST 2024

**TIME:** 2 HOURS

**DATE:**Pick DateAug 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) Differentiate between financial accounting and cost accounting **(6Mrks)**
- b) Cost accounting provide relevant information which helps companies and individuals make informed decisions in their undertakings. With this in mind, discuss the significance/importance of cost accounting information **6Mrks)**

- c) Costs can be categorized and classified according to various characteristics. Now, using diagrams discuss the classification of costs according to behavior. **(6Mrks)**
- d) The following information was extracted from the books of accounts of Miwani Ltd, a manufacturing company.

<b>MIWANI LTD</b>	
<b>DTEAILS</b>	<b>AMOUNT (KES)</b>
<b>FIXED COSTS</b>	
Rent	2,400,000
Salaries	4,000,000
Depreciation	1,300,000
<b>VARIABLE COSTS</b>	
Cost of Goods sold	41% of total sales
Carriage outwards	5% of total sales
Sales commission	8% of total sales

**Additional Information,**

Given that the company made sales amounting to KES 125,000,000.

**Required**

- i. Determine the company's contribution margin **(3Mrks)**
- ii. Determine the break-even point in amount **(4Mrks)**
- iii. If the company wishes to earn a profit of KES 4,700,000 instead of breaking even, determine the amount of sales volume that the company must generate in order to hit this desired profit level. **(5Mrks)**

**Question Two**

ABC Limited pays a basic wage rate of KES 150 per hour for the normal working hours during the week. The company has policy of working for 8 hours a day for 5 days from Monday to Friday (normal working hours). ABC Limited also pays overtime at the following rates:

- 1) Weekdays overtime is paid at one and a half times the normal working hour rate.
- 2) Working on weekends is considered as overtime time too, and the weekends overtime is paid at two times the normal working hour rate.

The following information relates to the hours worked by Omondi, Kariuki and Tirok in the first week of August 2024.

Hours Worked in the First Week of August 2024			
Day of the Week	Omondi	Kariuki	Tirok
Monday	11	9	9
Tuesday	12	8	11
Wednesday	8	8	8
Thursday	12	10	10
Friday	12	12	12
Saturday	7	3	7
Sunday	0	8	0

**Required:**

- i. Determine the weekday overtime pay rate (2Mrks)
- ii. Determine the weekends overtime pay rate (2Mrks)
- iii. Determine the weekly basic pay for each employee (4Mrks)
- iv. Determine the overtime pay for each employee (4Mrks)
- v. Determine the gross pay for each employee (4Mrks)
- vi. Discuss two merits and two demerits of using the time rate method in remunerating employees. (4Mrks)

**Question Three**

Lodeba is fast moving consumer goods company. On 1<sup>st</sup> of August 2024, the company had a stock in hand comprising of 5,500 units valued at KES 48 for one of its products named (G). The transactions for the first half of the month of August 2024 were as follows:

Date	Purchases	Sales
Aug 2	6,000 units @ KES 47	
Aug 3		8,000 units
Aug 5	5,500 units @KES 50	
Aug 7	7,000 units @ KES 53	
Aug 9		10,000 units
Aug 10		3,000 units
Aug 11	8,000 units @ KES 55	
Aug 12	9,500 units @ KES 46	
Aug 13	6,000 units @ KES 51	
Aug 14		12,000 units
Aug 15		3,500 units

**Required**

- i. Draw up the store's ledger card for the month of August 2024, assuming that the company uses the Last in First Out (LIFO) stock Valuation technique. (17Mrks)
- ii. Determine the valuation of the closing stock (3Mrks)

#### Question Four

Miombo Ltd uses job costing technique. The following information relates to job (P) and Job (Q) During the month of August 2024.

Details	Job (P) (KES)	Job (Q) (KES)
<b>Opening Balances</b>		
Direct Materials	50,000	
Direct Labor	60,000	
Factory Overheads Absorbed	45,000	
<b>Direct Material requisition During the Month</b>		
Direct Material for Job (P)	30,000	
Direct Material for Job (Q)		32,000
<b>Direct Labor Distribution During the Month</b>		
Direct Labor for Job (P)	47,000	
Direct Labor for Job (Q)		69,500
<b>Factory Overheads Absorbed During the Month</b>		
Factory Overheads for Job (P)	210 labor hours	
Factory Overheads for Job (Q)		310 labor hours

#### Additional Information

- i. Factory overheads are absorbed to the job using a direct labor hour rate of KES 195
- ii. Both Job (P) and Job (Q) were completed in the month of August 2024. The selling and administrative expenses were 22% of the total factory costs and the profit was 19% of the selling price.

#### Required

- i. Prepare the job cost sheets for Job (P) and Job (Q) **(17Mrks)**
- ii. Comment on the profitability of the two jobs **(3Mrks)**

#### Question Five

- a) Distinguish between Marginal Costing and Absorption Costing **(8Mrks)**
- b) Outline the features of a budget **(5Mrks)**
- c) Discuss the merits of standard costing **(7Mrks)**