



TECHNICAL UNIVERSITY OF MOMBASA  
SCHOOL OF BUSINESS  
DEPARTMENT OF ACCOUNTING & FINANCE  
UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF BUSINESS ADMINISTRATION (BBA)  
BACHELOR OF COMMERCE (BCOM)  
BAC 4201: COST ACCOUNTING  
END OF SEMESTER EXAMINATIONS  
SERIES: MARCH 2025  
TIME: 2 HOURS

INSTRUCTIONS:

Answer Question ONE (Compulsory) and any other TWO Questions

Question one

Triple Products Ltd manufactures three products Alpha, Beta and Delta. At present the company uses a traditional absorption costing system to establish the costs of production. Budgeted production data for the next period is as follows:

	<b>Alpha</b>	<b>Beta</b>	<b>Delta</b>
Production output (units)	500	400	200
Material per unit @ £5.00 per kg	10kg	20kg	16kg
Labour per unit @ £9.00 per hour	2hrs	2hrs	3hrs
Machine time per unit	2hrs	1.5hrs	2hrs

Budgeted production overheads for the period are £76,300 absorbed on a machine hour basis.

Further investigation of this production overhead figure, has revealed the following activities and related overhead costs:

<b>Activities</b>	<b>Costs ( Shs)</b>
Product inspection	32,000
Machine set-up	16,000

Machine maintenance	12,000
Product dispatch	8,200
Material handling	<u>8,100</u>
	<u>76,300</u>

**Additional information**

- 1) Orders budgeted: Alpha 10 orders; Beta and Delta 5 orders each. Each order is expected to require one machine set up and two inspections.
- 2) Machine maintenance is carried out regularly based on a predetermined number of machine running hours.
- 3) Each product is packed and dispatched in crates containing the following number of products per crate: Alpha 20 units, Beta 50 units and Delta 25 units. The number of crates used influences product dispatch costs.
- 4) Material handling costs are influenced by the quantity of material used.

Required:

- (a) Calculate the production cost of one unit of each product using:
  - (i) Traditional absorption costing (6 marks)
  - (ii) Activity based costing. (14 marks)
- (b) Explain the meaning of the term cost Centre (2 marks)
- (c) Explain the benefits of cost accounting (8 marks)

**Question Two**

Differentiate between the following terms

- a) Fixed cost and variable cost (4 marks)
- b) Direct cost and overheads (4 marks)
- c) Actual cost and standard cost (4 marks)
- d) Break even point and contribution per unit (4 marks)
- e) Production overheads and administration overheads (4 marks)

**Question Three**

The following data was extracted from the records of Bizzy Enterprises for the year ending December 2018

Item	Kshs.
Direct material	30000
Direct wages	40000
Direct expenses	10000
Factory overheads	20000
Distribution overheads	20000
Administration overheads	30000

Factory overheads are apportioned based on machine hours while distribution and administration overheads are based on labor hours which are 2000 and 4000 hours respectively. Factory and administration overheads are fixed while 80% of distribution overheads are variable.

Required:

- i) Calculate the Factory, distribution and administration overhead absorption rate (3 Mrks)
- ii) The company applies a mark-up of 25%, what is the expected revenue of the job? (2 Mrks)
- iii) Assume units produced from the above data is 5000, calculate the break-even point in units ( 3Mrks)
- iv) What is the difference between financial accounting and cost accounting? (12 Mrks)

Question Four

- a) Discuss the advantages and disadvantages of budgeting (10 Marks)
  
- b) The following data was recorded from the books of Araba ltd

Maximum consumption	8000 units per week
Minimum consumption	4000 units per week
Reorder quantity	50000 units
Reorder period	8-6 weeks

Calculate:

- i) Maximum stock level (3 Marks)
- ii) Minimum stock level (3 Marks)
- iii) Reorder level (2 Marks)
- iv) Average stock level (2 Marks)

#### Question Five

Discuss the different methods of costing giving the advantages and disadvantages of each. (20 Marks)