



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: AUGUST 2024
TIME: 2 HOURS

INSTRUCTIONS:

Answer Question ONE (Compulsory) and any other TWO Questions

Question one

The following information relates to the cost of product X

- Standards unit cost of product.
Direct materials: 4 kg at sh. 75 per Kg
Direct labour: 2 hours @ sh. 500 per hour
- During the year ended 31st December 2018, actual data was as follows:
 - Direct material purchased and used were 180,000 Kg costing sh. 12,600,000.00
 - Direct labour was 54,000 hours costing sh. 32,400, 000.
 - Output produced was 36,000 units

Required:

- Calculate the price and quantity variance for direct material and direct labour.
(10 Marks)
- What are the possible causes of the variances in a above (8 Marks)
- Discuss the advantages and disadvantages of budgeting (12Marks)

Question two

Define the following terms as used in cost accounting indicating where they are applicable (20 marks)

- a) Job costing (4 marks)
- b) Batch costing (4 marks)
- c) Process costing (4 marks)
- d) Contract costing (4 marks)
- e) Unit costing (4 marks)

Question Three

A company produced and sold 10000 units of product Rex in the month of October 2019 as per given details. Product cost per unit was as follows:

	Cost per unit Sh.
Direct materials	37.50
Direct labour	18.75
Variable overhead	26.25
Fixed overhead.	35.00

The selling price per unit was sh. 150.

Required:

- a) Prepare absorption costing statements showing the profit or loss realized. (5marks)
- b) The manager is proposing to increase production by 2000 units which will increase the variable overheads to sh.28 per unit. Evaluate the proposal and advise the manager. (5 Marks)
- c) As the accountant you wish to advise the manager to adopt piece rate or bonus scheme methods of remunerating works in order to improve efficiency. Explain how the two methods differ from the common used flat rate and give their advantages. (10 Marks)

Question Four

- a) Differentiate between financial and cost accounting (12 marks)
- b) Describe the following terms as used in standard costing
 - i) Variable overheads (2 marks)
 - ii) Fixed overheads (2 marks)
 - iii) Expenditure variance (2 marks)

iv) Efficiency variance

(2 marks)

Question Five

Describe the different stock valuation methods giving their advantages and disadvantages (20 Marks)