



TECHNICAL UNIVERSITY OF MOMBASA

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School of business

DEPARTMENT OF ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATIONS FOR

DIPLOMA IN BUSINESS MANAGEMENT

DIPLOMA IN HUMAN RESOURCE MANAGEMENT

DIPLOMA IN PROCUREMENT AND MATERIAL MANAGEMENT

DIPLOMA IN ACCOUNTANCY

BAC 2110: COST ACCOUNTING

SERIES: APRIL 2025

TIME: 2 HOURS

Instructions;

Answer question one and any other two questions.

Question One

- a Outline four assumptions of the basic EOQ model. Draw a simple sketch diagram of the model 6 marks
- b A company manufactures a single product which it sells at kshs 10 each. The variable cost for 2 units is Kshs 12. Fixed costs per annum are Kshs 4000. Calculate Break even point in sales value and margin of safety if the current sales is Kshs 25000 8 marks
- c Explain reasons for preparations of a budget. 6 marks
- d Explain how Cost accounting differs from Financial accounting. 10 marks

Question two

A Company has three production cost centers Alif, Bei and Tei plus two service departments miim and Nuun. The following data are extracted from the records

Rent kshs25000, General lighting kshs 3000, Indirect wages kshs 7500, Power kshs7500, Depreciation of machinery ksh 50000, sundries kshs 50000. Additional data is provided

PARTICULARS	TOTAL	ALIF	BEI	TEI	MIIM	NUUN
Direct wages shs	50000	15000	10000	15000	7500	2500
Horsepower machines	150	60	30	50	10	nil
Cost of machinery Shs	1250	300	400	500	25	25
Production hours worked		6226	4028	4066		
Floor area to sq.metres	10000	2000	2500	3000	2000	500

SERVICE DEPARTMENTS EXPENSES ALLOCATION

Department Miim %		20	30	40	nil	10
Department Nuun%		40	30	20	10	nil

You are required to prepare primary and secondary distribution summary according to repeated distribution system. 20 marks

Question Three

The following data refers to Mofa ltd

	Kshs
Sales	48000
Total costs	36000
Net profit	12000

Fixed costs are 25% of total cost.

- Required
- Break even point in sales value 6 marks
 - Sales required to earn a profit of 20000 4 marks
 - What are the limiting assumptions of break even analysis? 10 marks

Question Four

Changanya changanya introduced 3000 litres of material into a process each litre costing shs 25. Labour is shs 40 per litre and overheads absorbed into the whole process

is shs 34800. Due to evaporation, spillage and leakage, the expected output is 90%. Actual output was 2500 litres and scrap is sold at shs 10 each.

- a You are required to prepare the Process account, and abnormal loss or gain account. 12 marks
- b Distinguish between a joint product and a by product 6 marks
- c What is a split off point in process costing? 2 marks

Question five

Given an inventory system where annual demand is 120 units, Ordering costs are shs 120 per order. The purchase price per unit is shs 200 and the annual carrying cost is 24%.

Required

- a Economic order quantity 4 marks
- b calculate ordering and holding cost 6 marks
- c The supplier has offered a 1% discount on the unit price if the items are purchased in lots of 10 at a time. Advise management. 6 marks
- d What is a flexible budget? 4 marks