



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

END OF SEMESTER EXAMINATIONS

SERIES; APRIL 2025

TIME; 2 HOURS

Instructions;

Answer question one and any other two questions.

Question One.

Assalaam Ltd manufacture a single product which it sells for shs 74 each.

The details below relate to the product

Direct material cost per unit	sh.18
Direct labour cost per unit	sh. 24
Variable overhead cost per unit	sh.8
Annual demand (units)	3,000
Fixed costs per annum total	sh.40,000.

Required :

(i) the contribution per unit. Explain why contribution per unit important.

6 marks

- (ii) the contribution to sales ratio. Explain the significance of this ratio. 6 marks
- iii the Break even point in units and sales value 8 marks
- iv List the limiting assumptions of Break even analysis 10 marks

Question Two

Distinguish between

- a i Cost center and Cost unit 5 marks
- ii Over absorbed and Under absorbed overheads 5 marks
- b What is the purpose of Cost accounts 10 marks

Question Three.

Mambo ni kama hiyau Beach Hotel is considering introducing “new pizza” into their menu. The cost accountant of the hotel has established that to make new Pizza, the hotel would incur the following costs per unit

Kshs.

Direct cost of ingredients	120
Direct labour	85
Variable overheads	95
Proposed selling price	400

Fixed costs per annum allocated to the product Kshs 95,000

The company expects to produce and sell 1,600 pizzas although there is a market for a maximum of 2,400 pizzas. The production manager has proposed that if an extra 3/= per pizza is spent on improving the quality, 1,800 units could be sold at sh. 405. The marketing manager then came up with the proposal that if an extra sh. 80, 000 was spent on advertising of pizzas with a local radio, and the quality and price kept as per the initial plan, 2,400 pizzas could be sold.

Required; Analyse each scenario and then advice the management which plan to adopt. 20 marks

Question Four.

(a). ABC Ltd. produces a single product – “Sage ”. The following fixed budget was prepared for the financial year ended 31st Dec. 2024.

PRODUCTS:

Sales in units	160,000
Sales in sh.	960,000
Variable costs	640,000
Contributions	320,000
Total fixed cost	200,000
Net Profit	120,000

Required;

Prepare a flexible budget for production and sale of 120,000 units. 10 marks

(ii) Distinguish a fixed budget and a flexible budget 6 marks

iii Explain the meaning of a Key budget factor. 4 marks

Question Five.

Basic analysis Ltd produces and sells one product only, the BBT, the standard cost for one unit being as follows:

	Sh.	Kshs
Direct material Alif 10 kilos at shs 20 per kilo		200
Direct material B- 5 litres at Sh.6 per litre		30
Direct wages- 5hrs at Sh.6 per hour		30
Fixed production overhead		<u>50</u>
Total standard cost		<u>310</u>

The fixed overhead included in the standard cost is based on an expected monthly output of 900 units

During April Year 1 the actual results were as follows.

Production 800 units
Material Alif 7,800 kgs used, costing Sh.159,900
Material Bei 4,300 litres used costing Sh.23,650
Direct wages 4,200 hrs worked for Sh.24,150
Fixed production overhead Sh.47,000

REQUIRED

- Calculate price and usage variances for each material (8 marks)
- Calculate labour rate and efficiency variances (4 marks)
- Calculate fixed production overhead expenditure and volume variances (8 marks)