TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF HUMANITIES AND SOCIAL SCIENCES
DEPARTMENT OF HOSPITALITY & TOURISM MANAGEMENT

UNIVERSITY EXAMINATION FOR THE:

BACHELOR OF SCIENCE IN TOURISM MANAGEMENT (BSTM S22)

BAC 4302: COST ACCOUNTING IN HOSPITALITY AND TOURISM

END OF SEMESTER EXAMINATION

SERIES: JULY 2025

TIME:2HOURS

DATE: JUL 2025

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attemptquestion ONE (Compulsory) and any other TWO questions.

Do not write on the question paper.

SECTION A (Answer all the questions) **30 POINTS**

QUESTION ONE

a) Explain the difference between the following terms **(10 Marks)**

i. Sunk cost and relevant cost

ii. Fixed and variable cost

iii. Avoidable and unavoidable costs

iv. Controllable and uncontrollable costs

v. Direct and indirect costs

b) The following information was extracted from the books of Danex Holdings regarding its stocks:

Reorder quantity	1,800
Reorder period	4 weeks
Maximum consumption	450 units/week
Normal consumption	300 units/week
Minimum consumption	150 Units/week
Maximum reorder period	5 weeks
Minimum reorder period	3 weeks

Required

Determine the following stock levels for Danex Holdings:

i. **Re-order level**

ii. **ii. Maximum stock level**

iii. **iii. Minimum stock level (10 Marks)**

c) A company uses 50,000 widgets per annum, which are acquired at Shs100 each. The ordering and handling costs are Shs150 per order and carrying costs are 15% of the cost of inventory per annum.

Required:

Calculate the economic order quantity **(10 Marks)**

QUESTION TWO

a) Costs are classified for various purposes or reasons. There is an objective for each classification. A cost can fall into more than one classification based on the objective. State and explain the different classifications of cost. **(10 Marks)**

b) Define the following:

1. Define ABC Costing.

2. Define absorption costing.

3. Highlight reasons why overheads are absorbed.

4. Explain how Activity Based Costing differs from traditional absorption costing, giving an example.

5. Define service center and production center **(10 Marks)**

QUESTION THREE

The following information was extracted from the book of Happy Ltd for the year ended 31/12/2001

Output 100,000 units

Production Costs

Direct labour costs	5 Million
Direct material costs	2 million
Variable overheads	2 million
Fixed overheads	4 Million
Units sold	90,000
Selling Price per Unit	Shs.100,000

Assume closing stocks at the end of the previous period were nil.

Required

Using both absorption and marginal costing determine

i. Cost per unit **(10 Marks)**

ii. Prepare the income statement **(10 Marks)**

QUESTION FOUR

a) Assume the following purchases were made in ABC Ltd

Date of purchase Units purchased Price/unit

Date of purchase	Units Purchased	Price per Unit
1st January	500	100
2nd January	600	200
3rd January	800	400

Units used on 4th January are 900.

Required:

Determine the cost of units used by using and the value of the closing stocks by using ;

i. **FIFO,** **(5Marks)**

ii. **LIFO and** **(5 Marks)**

iii. **Weighted Average Methods.** **(10 Marks)**

QUESTION FIVE

a) Define cost estimation and state the cost estimation function for linear relationships and also explain its variables. **(5 Marks)**

b) Briefly discuss the methods of cost estimation clearly highlighting their advantages and disadvantages. **(10 Marks)**

c) Highlight the assumptions of regression analysis **(5 Marks)**