

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS.

SECOND YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF  
COMMERCE

BCOM 212: COST ACCOUNTING (ODEL)

STREAMS: BCOM Y2S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 5/12/2018

8.30 A.M - 10.30 A.M

INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions.
- Do not write anything on the question paper

QUESTION ONE

- (a) Cost accounting plays an important role in human activities. In line to this statement, explain the importance of cost accounting. [6 Marks]
- (b) The cost accountant of Nyakemincha Manufacturing Company has provided the following information in relation to its production and selling activities for the year ended 30<sup>th</sup> September 2018.
- Closing stocks: Raw materials Kshs.50,300,000, finished goods Kshs.29,300,000 and work -in-progress Kshs.16,000,000
  - Opening stocks: - Raw material Kshs.48,000,000
  - Finished goods Kshs.32,400,000 and work-in-progress Kshs.16,440,000
  - Purchases of raw materials Kshs.41,600,000
  - Sales for finished goods Kshs.125,600,000
  - Office expenses Kshs.4,300,000
  - Selling and distribution expenses Kshs.8,000,000
  - Works expenses Kshs.18,000,000

**Required:**

A standardized cost sheet statement showing material consumed, prime cost, cost of production. [7 Marks]

- (c) In relation to incentive schemes in labour costing, identify two methods of computing labour costing and on each method explain any three advantages of using the methods. [7 Marks]

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- (d) A product passes through processes A and B to finished goods. In process A and B normal loss is estimated to be 5% and 2% respectively and nothing is realized by disposal of waste. During the month of August 2018, 10,000 units of materials were introduced in process A at a cost of Kshs.6 each. The other costs were as follows: -

	Process A	Process B
	Kshs.	Kshs.
Material	-	6,140
Labour	10,000	6,000
Overheads	6,000	4,600

The output for the period were process A 9,300 units and process B 9,200 units.

### Required:

- (i) Process A account [5 Marks]  
(ii) Process B account. [5 Marks]

### QUESTION TWO

- (a) A factory has three production department and two service departments. The departmental distributions of the overheads were as follows:

Departments	Kshs.
A	650,000
B	600,000
C	500,000
P	120,000
Q	100,000

The services distribution to production departments by service departments were as follows: -

	Production Department			Service Department	
	A	B	C	P	Q
Service Department P	30%	40%	15%	-	15%
Service Department Q	40%	30%	25%	5%	-

### Required:

- (i) Using simultaneous equation, formulate the distribution equation for estimating the overheads to production department. [8 Marks]  
(ii) The secondary overheads distribution summary of the factory. [6 Marks]
- (b) Explain the methods used in estimation and forecasting of costs. [6 Marks]

### QUESTION THREE

Matunda Manufacturing Company mixes three types of materials A, B and C to produce one unit of a product as provided in the following standards set.

Material A 60 units @ Kshs.15 per unit = Kshs.900

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Material B 80 units @Kshs.20 per unit =Kshs.1,600

Material C 100 units @Kshs.25 per unit=Kshs.2,500

Total 2400 units 5,000

Standard time required 2 hours per unit @ Kshs.400 per hour to produce one unit.

During the month of October, 2018, 10 units were produced and the consumption was as follows:

- Material A 640 units @Kshs.17.50=11,200
- Material B 950 units @Kshs.18.00 =17,100
- Material C 870 units @Kshs.27.50=23,925
- Total 2460 52,225

The actual time taken was 25 hours in total paid in full Kshs.3,800

### Required:

- (a) Materials Cost Variance (MCV) [4 Marks]
- (b) Material Price variance (MPV) [3 Marks]
- (c) Material Usage Variance (MUV) [3 Marks]
- (d) Material Mix Variance (MMV) [3 Marks]
- (e) Labour Price Variance (PPV) [3 Marks]
- (f) Labour Cost Variance (LCV) [4 Marks]

### QUESTION FOUR

(a) The following information is provided to you in relation to production of three products in a factory.

	<u>Product</u> X	<u>Product</u> Y	<u>Product</u> Z
	(Kshs)	(Kshs)	(Kshs)
Direct Materials	7,500	30,000	3,000
Direct Wages	9,000	9,000	1,500
Factory Overheads: Fixed	3,000	1,500	1,500
:Variable	3,900	9,000	4,500
Selling overheads: Fixed	1,500	900	600
:Variable	2,100	6,000	3,000
Sales	32,000	61,000	16,000

### Required to prepare:

- (i) Income statements under marginal costing method. [6 Marks]
- (ii) Income statement under absorption costing. [5 Marks]
- (iii) The company management desires to increase general profits to Kshs.15,000.  
Compute the sales to earn the profits. [4 Marks]

(b) Highlight the five advantages of using FIFO methods in material management. [5 Marks]

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