

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
THARAKA CAMPUS**

**SECOND YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR
COMMERCE, BACHELOR OF ENTREPRENEURSHIP AND ENTERPRISE
MANAGEMENT, BACHELOR OF COOPERATIVE MANAGEMENT, BACHELOR
OF ECOTOURISM MANAGEMENT AND BACHELOR OF PROCUREMENT AND
LOGISTICS MANAGEMENT**

BCOM 212: COST ACCOUNTING**STREAMS: BCOM,BPLM,BCOP,BEEM****TIME: 2 HOURS****DAY/DATE: WEDNESDAY 4/12/2019****8.30 A.M – 10.30 A.M****INSTRUCTIONS****Answer question one and any other three questions**

1. (a) Explain why regression method is preferred to high low method. [2marks]
 (b) The following data relates to the total costs incurred by Makini garage ltd in a period of eight weeks.

Week	Number of cars repaired	Total cost incurred
1	90	5200
2	100	6000
3	120	6200
4	150	3530
5	160	3850
6	220	4300
7	300	5870
8	340	7150

Required;

Using regression analysis method formulate an equation in the form of $Y = a + bx$ that could be used to estimate the total costs incurred. [8 marks]

- (c) Distinguish the following cost concepts giving relevant examples.

(i) Cost allocation and cost apportionment [3 marks]

- (ii) Cost unit and unit cost. [2 marks]
- (iii) Fixed cost and step fixed costs. [3 marks]
- (iv) Waste and scrap [2 marks]

(d) Rivt enterprises ltd manufactures food products. The details of the manufacturing cost of one of its products branded 'tamu' is provided below.

Standard cost per unit

Materials ; 6 kilogram at ksh 480 per kilogramme

Labour : 4.8 hours at ksh 800 per hour

Additional information:

- (i) The actual cost for the month of April 2016 was as follows;
 Material :59,000 kilogram at ksh 500 per kg
 Labour : 47,500 hours at ksh 900 per hour
- (ii) The actual production amounted to 10,000 units

Required :

- (i) Material price variance [2 marks]
- (ii) Material usage variance [2 marks]
- (iii) Material cost variance [1 mark]
- (iv) Labour rate variance [2 marks]
- (v) Labour efficiency variance [2 marks]
- (vi) Labour cost variance [1 mark]

QUESTION TWO

- (a) Explain three assumptions of CVP analysis. [3 marks]
- (b) A product passes through three production processes A,B and C. The normal wastage of each process is A,B and C is 3%, 5% and 8% respectively. Scraps of process A was sold at 25 cents per unit, that of process B at 50 cents per unit and that of process C at ksh 1 per unit. 30,000 units of the basic raw material were issued to process A in the beginning of October 2015 at a cost of ksh 1 per unit.
 The other expenses incurred were as follows;

	Process A	Process B	Process C
Additional materials (shs)	3,000	4,500	1500
Direct labour (ksh)	15,000	24,000	19500
Direct expenses (ksh)	3,150	3,564	6027
Actual expenses (units)	28,500	27,300	24300

There were no opening and closing stocks;

Required :

- (i) Process A,B and C accounts [12 marks]
- (ii) Abnormal account [3 marks]
- (iii) Abnormal gain account [2 marks]

QUESTION THREE

- (a) Why is marginal costing more suitable for managerial decision making. [4 marks]
- (b) XYZ ltd manufactures product ‘M’. The standard cost of producing one unit of product

‘M’ is given below;

Direct labour ksh 15

Direct material ksh 24

Variable production overhead ksh 6

Fixed production overhead ksh 15

Standard selling price per unit ksh 205

Additional information:

Fixed production overhead is based on activity level of 12000 units p.a

All fixed costs accrued evenly through the year

Annual non production costs consists of

Fixed cost ksh 36,000 and variable cost 15% of annual sales.

The units produced and sold in the two quarters ended 30th Sept 2017 and 31st Dec 2007 were as follows:

Quarter ended	30 th sept 2017	31 st Dec 2017
Units produced	2000	3200
Units sold	1500	3000

Required :

- (i) Profit and loss statement for each quarter under both marginal and absorption. [12 marks]
- (ii) Reconcile the profits for each quarter. [4 marks]

QUESTION FOUR

- (a) The following information relates to product 'Q' of ABC Ltd the month of November 2018

Opening stock 6000 units valued at ksh 20 each.

Receipts		
Date	Quantity received	Unit price
31/11/2018	5000	18
10/11/2018	5400	21
17/11/2018	6200	22
19/11/2018	5600	21
25/11/2018	5500	22
27/11/2018	6400	23
30/11/2018	6500	24

Issues	
Date	Quantity issues
6/11/2018	6600
16/11/2018	5600
23/11/2018	4500
26/11/2018	7900
28/11/2018	5200
30/11/2018	13900

Required :

Prepare a stock inventory record for product Q using;

- (i) FIFO method [8 marks]
- (ii) LIFO method [8 marks]

- (b) Nyayo Ltd produces and sells zako . The following information relates to year 2016.

Sales of Zako 120,000

Selling price per unit ksh 4

Variance cost per unit ksh 2

Total fixed cost are ksh 250,000

Required :

Compute the BEP for zako in units and in shillings.

[5 marks]
