CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS
ODEL

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 212: COST ACCOUNTING

STREAMS: Y3S1 **TIME: 2 HOURS**

DAY/DATE: WEDNESDAY 4/12/2019 **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

1. (a) Cost accounting plays an important role in day to day operations of human activities in manufacturing and projects management activities. Discuss [10 marks]

(b) State and briefly explain various methods of costing. [7 marks]

(c) A company has three production departments and two service departments. The following are the details distributions of the overheads summary.

Productions	Departments	Service	Department
	Ksh 000		Ksh 000
A	3,000	Q	234
B	2,000	R	300
C	1,000		

The expenses of summary service departments Q&R are apportioned in percentage form to production departments as follows .

	A	B	C	Q	R
Q	20%	40%	30%	-	10%
R	40%	20%	20%	20%	-

Required :

(i) Using simultaneous equation method apportion the overheads of service department to production. Showing the overheads distribution summary to totals of each production department. [13 marks]

2. (a) You are working with kasarani materials suppliers ltd as a cost accountant the company which supplies various types of materials to various organizations in Kenya. The following are the supply of aspects for the month of December 2018.

Receipts

Date	Quantity (kg)	Rate (ksh) per kg
4th Dec	200 kg	10
18th Dec	300kg	12
22nd Dec	100kg	16

Issues

Date	Quantity (kg)
6th Dec	100kg
20th Dec	200kg
25th Dec	200kg

You are required to prepare stores ledger control account for the month ended 31st December 2018 using simple average price method. [10 marks]

(b) The following data is provided to you by will max manufacturing company

Fixed cost	ksh 4,000,000
Break even point (BEP)	ksh 20,000,000
Profits	ksh 1,000,000
Selling price per unit	ksh 20,000

Required:

(i) Profit volume ratio of the company. [2 marks]

(ii) Sales of the company during the period. [4 marks]

(iii) The decision by management to target a profit of 4,500,000 compute the sales target. [4 marks]

3. A product passes through three processes A,B and C. The normal wastages of each process is as follows process A 3%, B5% and C8% wastage in process A,B,C was sold at ksh 0.25,ksh 0.50 and ksh 1 per unit respectively. 10,000 units were issued in process A on 1st November 2019 at a cost of ksh 1 . The other costs are as follows;

Particulars	Process A	Process B	Process C
Sundry materials	Ksh 1000	Ksh 1,500	Ksh 500
Labour	Ksh 500	Ksh 8,000	Ksh 6,500
Direct expresses	Ksh 1,050	Ksh 1,188	Ksh 2,009
Actual output	9,500 units	9,100 units	Ksh 8,100 units

Required:

(a) Processes accounts [14 marks]

(b) Abnormal wastage account [4 marks]

(c) Abnormal gain account [2 marks]

4. (a) Makueni manufacturing company produces fertilize which is sold to farmers. To produce 1000kg the following were the standards and actuals used from two types of raw materials A &B

Particular	Standard set for 1000kg			Actuals for 1000 kg used		
	Qty (kg)	Rate @kg	Amt(ksh)	Qty (kg)	rate@kg	Amt (ksh)
A	800	6	4800	750	7	5250
B	400	4	1600	500	5	2500
Total	1200		6400	1250		7750

Required :

(a) Outline any five importance of setting the above standards. [4 marks]

(b) Compute ;

(i) Material cost variance (MCV) [5 marks]

(ii) Material price variance (MPV) [4 marks]

(iii) Material usage variance (MUV) [3 marks]

(c) Highlight in each variance above their causes in normal market operations. [3 marks]
