

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF COMMERCE, BACHELOR OF ENTREPRENEURSHIP
AND ENTERPRISE MANAGEMENT, BACHELOR OF COOPERATIVE
MANAGEMENT & BACHELOR OF PURCHASING & SUPPLIES
MANAGEMENT**

BCOM 212: COST ACCOUNTING

STREAMS: BCOM / BEEP/ BCOP/BPSM

TIME: 2 HOURS

DAY/DATE: TUESDAY 05/12/2017

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION ONE

- (a) Explain the need for a cost and management accounting system in an organization. [6 marks]
- (b) Differentiate between the following terms as used in cost accounting
- (i) Fixed and variable cost [3 marks]
 - (ii) Product cost and period cost [3 marks]
 - (iii) Cost allocation and cost apportionment [3 marks]
 - (iv) Unit cost and cost unit [3 marks]
- (c) The production manager of XYZ Company is concerned about the apparent fluctuation in efficiency and wants to determine how labour costs are related to production volumes.

The following data represents the first six months of 2015

Month	Units produced	Labour cost
Jan	34	340
Feb	44	346
March	24	287
April	36	262
May	30	220
June	49	416

Required:

Estimate the cost function using

- (i) High low method. [4 marks]
- (ii) Regression analysis method [8 marks]

QUESTION TWO

- (a) Explain why marginal costing is considered more suitable for managerial decision making as opposed to absorption costing. [5 marks]
- (b) Company X ltd makes a chemical that passes through three production processes 1, 2 and 3 in the month of august 12000 litres of the basic raw material prices at sh. 480,000 were introduced in process 1 (one) subsequently the following costs were incurred

	Process 1	Process 2	Process 3
Direct materials	60,000	80,000	35,000
Direct labour	80,000	100,000	40,000
Direct expenses	12,000	3,200	18,600

Normal loss per process were estimated as follows

- Process 1 – 10%
- Process 2 – 5%-
- Process 3 – 8%

Output of each process was

Process 1	10,600
Process 2	10,000
Process 3	9,400

The loss of each process represents scrap which can be sold off at the following values

- Process 1 - sh 20 per unit
- Process 2 - sh. 44 per unit
- Process 3 - sh. 65 per unit

There was no stock of materials or working process at the beginning or end of the month. The output of each process passed directly to the next process and finally to the finished goods stock

Production overhead is observed by each process on the basis of 50% of direct labour cost.

Required:

- Prepare Process 1 account [5 marks]
- Process II account [5 marks]
- Process iii account [5 marks]

QUESTION THREE

- (a) The following information was extracted from the books of Aida ltd regarding their stocks

1st Jan the opening stocks was 400 units @ 50 shs each
 2/1/2015 received 350 units @ sh. 52
 5/1/2015 received 600 units @ sh. 64
 10/1/2015 received 450 units @ sh. 60
 17/1/2015 received 720 units @ sh. 65
 25/1/2015 received 300 units @ sh. 69

Issues

3/1/2015 issued 450 units
 7/1/2015 issued 570 units
 13/1/2015 issued 320 units
 19/1/2015 issued 200 units
 27/1/2015 issued 500 units

Required:

Prepare a stores ledger card using FIFO method (First in First Out). [10 marks]

- (b) The following information relates to a certain company XYZ for the period ending 31st Dec 2015 for a single product of Exe.

	Sh.
Selling price per unit	10
Unit variable cost	6
Fixed production cost per unit	2
Fixed non-manufacturing overheads	100,000
Units sold	120
Units produced	150

Required:

- (i) Prepare comparative income statements under
- (i) Marginal costing [4 marks]
 - (ii) Absorption costing [4 marks]
- (ii) Reconcile the profits arising from the two methods. [2 marks]

QUESTION FOUR

- (a) The standard quantity of materials for producing 1 unit of product ‘P’ is 5 kg. the standard price is ksh 6.00 per kg. during a particular period 1500 units of ‘P’ were produced. Actual material consumed was 2700 kg at a cost of kshs 16200

Required:

- (i) Material price variance [2 marks]
- (ii) Material usage variance [2 marks]
- (iii) Total material cost variance [1 mark]

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(b) The standard and actual figures of a firm for labour areas follows

Standard time for the job	1000 hours
Standard rate per hour	sh. 0.5
Actual time taken	900 hours
Actual wages paid	sh 360

Required:

- (i) Labour rate variance [2 marks]
- (ii) Labour efficiency variance [2 marks]
- (iii) Total labour cost variance [1 mark]

(c) Assume XYZ produces two products A and B the following information relates to the two products

	A	B
Selling price per unit	Sh. 5	Sh. 10
Variable cost per unit	4	3
Fixed cost for the period	300 000	300000

Required:

Calculate the breakeven point for the two products in units and in shillings. [6 marks]

(d) State any four assumptions of CVP analysis. [4 marks]