

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA AND EMBU CAMPUSES

EXAMINATION FOR THE AWARD OF CERTIFICATE IN BUSINESS
MANAGEMENT

CIBM 00142: COST ACCOUNTING

STREAMS: CIBM

TIME: 2 HOURS

DAY/DATE: FRIDAY 8/12/2017

8.30 P.M - 10.30 A.M.

INSTRUCTIONS:

- Answer Question ONE (Compulsory) and any other TWO questions.

QUESTION ONE

- (a) Define the term cost accounting and explain its importance to the management. [5 Marks]
- (b) Explain the importance of cost classification to a business. [5 Marks]
- (c) The following is the information related to Ndagani Bakery Limited;

Years	Units of Bread	Manufacturing Cost
2012	100	1,000
2013	150	1,200
2014	80	990
2015	200	1,400
2016	120	1,100

Required:

- (i) Determine the cost function using high low method. [5 Marks]
- (ii) In 2017 the company expects to produce 190 units of bread. Using a cost function developed above, estimate the manufacturing costs. [2 Marks]
- (d) Define the following terms
- (i) Marginal costing [2 Marks]
 - (ii) Budget [2 Marks]
 - (iii) Ideal standards [2 Marks]

- (e) Distinguish between controllable and non controllable costs giving examples. [3 Marks]
- (f) Outline the differences between cost accounting and financial accounting. [4 Marks]

QUESTION TWO

- (a) Explain the benefits of budgeting in an organization. [5 Marks]

- (b) Bimbo Limited produces powder soap for household.

Raw material: 15 kg of Tallow at Kshs.10 per kg
10 kg of caustic soda at Kshs.16 per kg

Labour: 20 hours at Kshs.5 per hour

Overhead expenses which are fixed are budgeted at Kshs.40,000

The monthly budget is 1000 cartons

The following details relates to actual results on October 2016 when 1200 cartons were actually produced and sold

Raw material: Tallow 10800 kg at Kshs.129,600
: Caustic Powder 13200 kg at Kshs.198000

Labour hours is 26400 at Kshs.145,200

Fixed overhead expenditure is Kshs.42,000

Required:

- (i) Material price variance [4 Marks]
- (ii) Material usage variance [4 Marks]
- (iii)Material cost variance [2 Marks]
- (iv)Labour rate variance [3 Marks]
- (v) Labour efficiency variance [3 Marks]

QUESTION THREE

- (a) State the characteristics of a good cost accounting system. [3 Marks]
- (b) The following data relates to Asembo Limited.

Units	Variable cost per unit	Total fixed cost	Selling price per unit
30	100	3000	160
40	100	3000	160
50	100	3000	160
60	100	3000	160
70	100	3000	160
80	100	3000	160

Required:

- (i) Determine the break-even point in units and in shilling using break even graph. [7 Marks]
- (ii) Outline the assumptions of cost volume profit analysis. [3 Marks]

(c) The following is information of ZYX Limited

	A	B	C
Sales (Units)	8,000	10,000	5,000
Selling price per unit	12	20	15
Variables cost per unit	7	8	10
Fixed cost is Kshs.6000			

(i) Determine the breakeven point in units and in shillings. [7 Marks]

QUESTION FOUR

(a) The following information relates to Somo Limited.

	Kshs. per Unit
Direct labour	5
Direct materials	25
Variable overheads	<u>30</u>
	<u>60</u>

Selling price of each unit is Kshs.90. Production and sales quantities for the first and second quarters were as follows;

	1 st Quarter	2 nd Quarter
Production	10,000	10,000
Sales	8,000	12,000

Fixed overheads amounted to Kshs.80,000

Required:

Income/operating statement using marginal and absorption costing. [12 Marks]

(b) Differentiate between cost object and cost driver giving examples. [4 Marks]

(c) Briefly discuss the advantages of standard costing. [4 Marks]

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