

CHUKA



UNIVERSITY

UNIVERSITY SUPPLEMENTARY/SPECIAL EXAMINATIONS.

FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR
OF TOURISM AND HOTEL MANAGEMENT

BTHM 431: COST ACCOUNTING

STREAMS: Y4S2

TIME: 2 HOURS

DAY/DATE: MONDAY 23/07/2018

11.30 A.M - 1.30 P.M

INSTRUCTIONS:

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

QUESTION ONE

(a) Assume XYZ produces two products A and B. The following information relates to the two products.

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

Required:

Calculate the break-even point for the two products in units and in shillings. [8 Marks]

(b) Explain any four assumption of cost, volume, profit (CVP) analysis. [4 Marks]

(c) Differentiate between the following terms as used in cost accounting,

- (i) Fixed and variable cost [3 Marks]
- (ii) Product and period cost [3 Marks]
- (iii) Cost allocation and cost apportionment [3 Marks]
- (iv) Unit cost and cost unit [3 Marks]

(d) The standard quantity of materials for producing one unit of product, 'P' is 5 kg. The standard price is Kshs.6 per kg. During a particular period, 1,500 units of 'P' were produced. Actual materials consumed was 2,700 kg at a cost of Kshs.16,200

Required:

- (i) Material price variance [3 Marks]
- (ii) Material usage variance [2 Marks]
- (iii) Total material cost variance [1 Mark]

QUESTION TWO

The following information was extracted from the books of Aida Ltd regarding their stocks. 1st January the opening stock was 400 units @Kshs.50 each.

Receipts

- 2/1/2015 received 350 units @Kshs.52
- 5/1/2015 received 600 units @ Kshs.64
- 10/1/2015 received 450 units @ Kshs.60
- 17/1/2015 received 720 units @ Kshs.65
- 25/1/2015 received 300 units @ Kshs.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:

- (a) Prepare a store ledger card using FIFO Method (First in First Out). [10 Marks]
- (b) Explain the need for a cost and management accounting systems in an organization. [6 Marks]
- (c) Explain why marginal costing is considered more suitable for managerial decision making as opposed to absorption costing. [4 Marks]

QUESTION THREE

- (a) State any four assumptions of break-even analysis. [4 Marks]
- (b) Company XYZ Ltd produces product X while Company ABC Ltd produces product Y. the following data applies.

	Product X (Kshs)	Product Y (Kshs.)
Selling price per unit	8	12

BTHM 431

Variable production cost per unit	2	4
Variable selling cost per unit	2	3
Total fixed cost per annum	200,000	300,000

Required:

- (i) Determine the breakeven point in units and in shillings for each company. [6 Marks]
- (ii) Assuming each company is in a 30% tax bracket, how many units will each company sell to earn a target income of Kshs.50,000. [5 Marks]
- (c) Differentiate between process costing and job costing. [5 Marks]

QUESTION FOUR

The information given below relates to Wasp Ltd, which manufactures a single type of a chemical. Overhead processing costs for the last eight accounting months have been as follows:

Period	Overhead Cost (Kshs.'000'	Output '000' tonnes
1	770	120
2	820	150
3	810	160
4	830	170
5	960	200
6	900	170
7	940	200
8	950	200

Required:

Using regression analysis method, derive a formula to consist in predicting the overhead budget for the eight months. [15 Marks]

- (b) Explain the following types of standards.
 - (i) Basic standards. [3 Marks]
 - (ii) Current standards. [2 Marks]
-