CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF SCIENCE IN TOURISM AND HOTEL MANAGEMENT AND BACHELOR OF CATERING AND HOTEL MANAGEMENT AND BACHELOR OF COMMERCE

BCOM 212: COST ACCOUNTING

STREAMS:BTHM,BCOM,BCHM Y2S2 **TIME: 2 HOURS**

DAY/DATE: TUESDAY 10/04/2018 **11.30 A.M – 1.30 P.M**

INSTRUCTION:

- **Answer question one and any other two**
- **Do not write anything on the question paper**

1. (a) Explain the need for having a cost accounting system in an organization. [5marks]

(b) The standard quantity of material for producing 1 unit of product "p" is 5kgs. The standard price is ksh 6.00 per kg. During a particular period, 500 units of 'p' were produced. The actual material consumed was 2700 kgs at a total cost of ksh 16,200.

Required :

Calculate :

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

(c) The following data relates to the half year ending 31 December 2013 for company XYZ ltd.

Month	Machine hour ’000’	Fuel cost Ksh ‘000’
July	34	640
August	30	620
September	34	620
October	39	590
November	42	500
December	32	530

Required :

Estimate the cost function using regression analysis method. [8marks]

(d) Differentiate between the following terms as used in cost accounting;

(i) Cost unit and unit cost [2marks]

(ii) Product cost and period cost [2marks]

(iii)Committed cost and discretionary cost [3marks]

(iv)Cost allocation and cost apportionment. [3marks]

2. A company expects the following activity levels in January and February 2010.

	January (unit)	February (unit)
Sales	7,000	8,750
Production	8,500	7,750

Assume that there were no stocks held on 1 January 2010 and that fixed overhead costs are based on a normal capacity of 9,600 units.

The budgeted unit selling price and costs are as follows;

	ksh
Selling price	45
Direct material	11
Production overhead (ksh 3 variable)	7
Selling & administration overhead (50%) fixed	10

Required:

(i) Prepare comparative income statements using marginal costing and absorption costing techniques for January and February 2010. [14marks]

(ii) Reconcile marginal costing income to absorption costing income. [2marks]

(b) State the assumptions of break even analysis. [4marks]

3. (a) A product passes through three production processes A,B and C. Normal loss of each process is 13% ,5% and 8% processes A,B and C respectively. The scraps of process A were sold at 25 cents per unit, those of process B at 50 cents per unit and those of process C at ksh 1 per unit.

10,000 units were issued to process A in the beginning of October 2005 at a cost of ksh 1 per unit. The other expenses incurred were as a follows.

	Process A	Process B	Process C
Additional material(ksh)	1000	1500	500
	5000	8000	6500
	1050	1188	2009
	9500	9100	8100

There were no opening and closing stocks.

Required :

(i) Prepare process accounts for processes A,B and C. [12marks]
(ii) Prepare abnormal loss account [2marks]
(iii) Prepare abnormal gain account [2marks]

(b) Differentiate between job costing and process costing. [4marks]

4. (a) The standard and actual data for a firm are as follows:

Standard time per hour ksh 1000 hours

Standard rate per hour ksh 0.5 per hour

Actual time taken 900 hours

Actual labour paid ksh 360

Required :

Calculate the following direct labour cost variance.

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

(b) Explain the importance of standard costing in an organization. [4marks]

(c) Product X sells at ksh 100 per unit and its variable cost of manufacture is ksh 60 per unit. When product X is sold, a selling and distribution cost of 20% of the value of the product is incurred. Total fixed cost for the period is ksh 20,000.

Required :

(i) Calculate the break even point in shillings for product X. [3marks]
(ii) How many units of product X should be sold to earn a profit of ksh 5,000 assuming there are no taxes. [3marks]

(d) Using a suitable illustration, show how fixed manufacturing overhead cost can be over absorbed in a product. [4marks]
