

CHUKA



UNIVERSITY

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SECOND YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMECE, BACHELOR OF ENTREPRENEURSHIP AND ENTERPRISE MANAGEMENT, BACHELOR OF COOPERATIVE MANAGEMENT, BACHELOR OF PROCUREMENT AND LOGISTICS MANAGEMENT AND BACHELOR OF SCIENCE IN ECOTOURISM

BCOM 212: COST ACCOUNTING

STREAMS: BCOM Y2S1, BEEM Y2S1, BCOP Y2S1, BPLM Y3S1, BSECO Y3S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 24/3/2021

8.30 AM – 10.30 AM

INSTRUCTIONS:

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

QUESTION ONE

(a) Explain in any four benefits that may accrue to an organization as a result of implementing Just in Time systems. [8 Marks]

(b) The following data relate to Uchumi Bread

Cost data

Selling Price	Ksh.35.00 per unit
Direct Materials	Ksh.12.00 per unit
Direct Labour	Ksh.8.00 per unit
Variable manufacturing overheads	Ksh.4.00 per unit
Budgeted Fixed manufacturing Overheads	Ksh.150,000 for 50,000 loaves of bread
Actual Fixed manufacturing Overheads	Ksh.120,000
Loaves of bread manufactured	50,000 crates
Loaves of bread sold	40,000

Required:

(i) Prepare an income statement using Marginal and Absorption Costing. [12 Marks]

(ii) Reconcile the profits under the two methods [3 Marks]

c) Distinguish between the following cost terminologies giving relevant examples

(i) Cost unit and unit cost. [2 Marks]

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

(iii) Cost allocation and cost Apportionment. [3 Marks]

QUESTION TWO

- (a) Differentiate between job costing and process costing. [6 Marks]
 (b) Explain three importance of standard costing in an organization. [3 Marks]
 (c) Company XYZ Ltd produces product X while company YZM Ltd produces product Y.

The following data applies.

	Product X	Product Y
Selling price per unit (ksh)	8	12
Variable production cost per unit	2	4
Variable selling cost per unit	2	3
Total fixed cost p.a (ksh)	200,000	300,000

Required:

- (i) Determine the break-even point in shillings for each company. [4 Marks]
 (ii) Assuming each company is in a 30% tax bracket, how many units will each company sale to earn a target income of ksh.50,000. [4 Marks]
 (c) Critique any three assumptions of break-even point analysis. [3 Marks]

QUESTION THREE

(a) ABC Ltd produces a single product branded “ Zed”. The standard cost for the month of July 2015 was as follows:

Direct material	: 5kg at Sh.2 per kg	Sh.10
Direct labour	: 4 hours at Sh. 5 per hour	20
Variable overheads	: 4 hours at Sh.1 per hour	4
Fixed overheads	: 4 hours at Sh.10 per hour	40
Total standard cost	:	<u>Sh.74</u>

Additional information:

- Budgeted production was 2,000 units while the actual production was 1,800 units.
- The following were the actual costs for the month of July 2015:

	Sh.
Direct material, 12,000 kg	26,400
Direct labor, 9,800 hours	44,100
Variable overheads	9,000
Fixed overheads	<u>100,000</u>
Total cost	<u>179,500</u>

Required:

- (i) Material price variance and material usage variance [4 Marks]
 (ii) Labor rate variance and efficiency variance. [4 Marks]
 (iii) Variance overhead expenditure variance and efficiency variance. [4 Marks]

b) The following information relates to item P003 stocked by 2020 products Ltd for the month of April 2000.

Date	Receipts	Issues	Unit cost (Sh)
	Units	Units	
April 3	2,400		18
4		3,200	
6	2,600		20
12		2,700	
14	3,000		22
18	2,800		21
20		2,200	
22	2,600		23
25		3,800	

The opening stock is 3000 units valued at sh 20 each.

Required:

a) Stores perpetual inventory record for item P003 for May 2020 under LIFO system of stores issues. [8 Marks]

QUESTION FOUR

(a) A product passes through three production processes A, B and C. the normal wastage of each process is A, B and C is 3%, 5% and 8% respectively. Scraps of process A was sold at 25cents per unit, that of process B at 50 cents per unit and that of Process C at sh. 1 per unit. 20,000 units, were issued to process A in the beginning of October 2015 at a cost of sh.1 per unit.

The other expenses incurred were as follows:

	Process A	Process B	Process C
Additional material sh)	2000	3,000	1,000
Direct labour (sh)	10,000	16,000	13,000
Direct expenses (sh)	2,100	2376	4018
Actual output	19,000 units	18,200 units	16,200 units

There were no opening and closing stocks

Required:

- (i) Process accounts for process A, B and C. [12 Marks]
- (ii) Abnormal loss account [2 Marks]
- (iii) Abnormal gain account [1 Mark]

b) Differentiate between the following

Normal loss and Abnormal loss [3 Marks]

Waste and Scrap [2 Marks]