CHUKA   **UNIVERSITY**

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 212: COST ACCOUNTING

STREAMS: BCOM Y2S2   **TIME: 2 HOURS**

DAY/DATE: THURSDAY 23/09/2021   **2.30 P.M – 4.30 P.M.**

INSTRUCTIONS:

- **ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS.**

QUESTION ONE

a) The following data has been extracted regarding the output and the cost of production

Month	output	cost
Jan	8.5	210
Feb	9.2	250
March	7.9	290
April	8.6	330
May	9.4	370
June	10.1	410

Required

Formulate a cost function of the form Y=a+ bx using

    (i) Regression Analysis   [6 marks]

    (ii) High low Method   [4 marks]

b) Distinguish between the following terms

    Implicit and explicit costs   [3 marks]

    Fixed and Variable costs   [2 marks]

    Profit Centre and Cost Centre   [2 marks]

    Cost allocation and Cost apportionment   [3 marks]

c) Explain any five benefits that may accrue to an organization as a result of implementing Just in Time systems. **(**5 marks**)**

d) 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.   [5marks]

QUESTION TWO
XYZ had the following overheads during 2020
Rent   Shs 80,000
Building Repairs   Shs 120,000
Staff Supervision   Shs 60,000
Heating   Shs 24,000
Plant Depreciation   Shs 30,000

Additional Information
The company had four departments whose data is as follows;

	A	B	C	D
Areas(M)	1500	1200	800	500
No of Employees	35	25	18	12
Plant Value (Shs)	500,000	300,000	200,000	0

Required
Apportion the overhead costs to the departments using suitable bases.   10mks

b) The following information was extracted from the stores ledger of Omega Ltd during the month of March 2017.
1/3/2017   Stock balance 800 units valued at sh 48,000

Receipts
4/3/2017   200units @ sh 70
10/3/2017   200units @ sh 80
12/3/2017   400units @ sh 80
24/3/2017   800 units @ shs 90

Issues
11/3/2017   issued 800 units
20/3/2017   issued 500 units
26/3/2017   issued 300 units
28/3/2017   issued 200 units
Required
Prepare a stores ledger card using LIFO method   [10 marks]

QUESTION THREE

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 25 cents per unit, that of process B at 50 cents per unit and that of process C at sh. 1 per unit.10,000 units, were issued to process A in the beginning of October 2005 at a cost of sh 1 per unit. The other expenses incurred were as follows:

	Process A	Process B	Process C
Additional material (sh)	1000	1500	500
Direct labour (sh)	5000	8000	6500
Direct expenses (sh)	1050	1188	2009
Actual output	9500 units	9100units	8100 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   [2 marks]

b) Explain why marginal costing is preferred to absorption costing   [4 marks]

Question Four

a) Explain three purposes of cost accounting in a business environment   [6 marks]

b) 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			Sh. 74

Additional information:

1.   Budgeted production was 2,000 units while the actual production was 1,800 units.
2.   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	100,000
Total cost	179,500

Required:

(i)   Material price variance and material usage variance.   [4 mark]

(ii)   Labor rate variance and efficiency variance.   [4 marks]

(iii) Variable overhead expenditure variance and efficiency variance.   [2 marks]

c) Differentiate between the following

(i) Normal and Abnormal loss   [2 marks]

(ii) Scrap and Waste   [2 marks]