

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

SECOND YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 212: COST ACCOUNTING

STREAMS: BCOM (ODEL) Y2S1
DAY/DATE: TUESDAY 20/7/2021

TIME: 2 HOURS
2.30 P.M. – 4.30 P.M.

INSTRUCTIONS: Answer question ONE and any other TWO questions

QUESTION ONE

- (a) Explain the basic difference between account classification method and high low method as applied in cost estimation. [4 marks]
- (b) Distinguish between the following cost accounting terminologies
- (i) Direct and indirect cost [3 marks]
 - (ii) Cost center and cost unit [3 marks]
 - (iii) Joint product and by-product [3 marks]
 - (iv) Period cost and product cost [3 marks]
- (c) The following information relates to the number of fridges shipped and the shipping expenses as compiled by air vents which customizes fridges for customers and ship them via courier

Month	Fridges shipped	Shipping cost
January	3	180
February	6	230
March	4	170
April	5	200
May	7	230
June	8	270
July	2	120

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Required:

1. Derive the cost function using:
 - (i) High-low method [4 marks]
 - (ii) Regression analysis method [8 marks]
2. Using the cost function obtained in (ii) above, estimate how much the company would incur if it customized and shipped 12 fridges in the month of August [2 marks]

QUESTION TWO

- (a) Explain four reasons why marginal costing is more suitable for managerial decision making [8 marks]
- (b) The following information was obtained from 'Kakuzi' COST CARD

Item of cost	Cost per unit
Direct materials	20
Direct labour	5
Variable overheads	25
Total	50

The selling price per unit is sh.75 production and sales quantities for the year 2018 and 2019 were as follows

	2018	2019
Production (units)	7,500	6,000
Sales (units)	6,000	7,000
Fixed production overheads (sh)	25,000	25,000

Required: Operating income statement for both 2018 and 2019 under:

- (i) Marginal costing [6 marks]
- (ii) Absorption [6 marks]

QUESTION THREE

(a) The following information is provided for job No. k9

Direct material cost	Sh 6,820
Direct wages: Department X	60 hours @ 3/= per hour
Department Y	50 hours @ 3/= per hour
Department Z	30 hours @ 5/= per hour

The variable overhead costs are as follows:

Direct material cost	
Direct wages: Department X	Sh. 5,000 for 5000 hours
Department Y	Sh. 4,000 for 2000 hours
Department Z	Sh. 2,000 for 500 hours

The total fixed overheads cost amounted to sh 20,000 for 10,000 working hours

Required:

Calculate the cost of job no. k9 and the price to give a profit of 25% on selling price

[10 marks]

(b) Outline five differences between job costing and process costing [10 marks]

QUESTION FOUR

(a) Assume ABC ltd produces two products A and B and the following budget was prepared

	A	B	Total
Selling price unit (sh)	120,000	40,000	160,000
Selling price per unit (sh)	5	10	
Variable cost per unit (sh)	4	3	

Total fixed cost for the period is sh. 300,000

Required:

Compute the breakeven point for the whole company and each product in shillings

[7 marks]

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- (b) The production department of dispatch ltd estimates that a product requires 50 units of material A at a standard price of sh. 5 unit. The actual consumption of material A by the product was 40 units at a cost of sh 4.5 per unit.

Required:

Material cost variance [5 marks]

- (c) Write short notes on the following types of standards:

(i) Basic standards [2 marks]

(ii) Current standards [2 marks]

(iii) Ideal standards [2 marks]

(iv) Normal standards [2 marks]