

CHUKA



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**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
COMMERCE, BACHELOR OF TOURISM MANAGEMENT AND BACHELOR
OF HOTEL MANAGEMENT**

BCOM 212: COST ACCOUNTING

STREAMS: BCOM, BTOM,

TIME: 2 HOURS

DAY/DATE: TUESDAY 09/04/2024

8.30 A.M. – 11.30 A.M.

INSTRUCTIONS

- Answer question one and any other two

Question one

- Discuss the assumptions of the cost volume profit analysis and critique them. (10 marks)
- Consider two companies with the following unit prices, fixed and variable costs

M Company	Ksh
Selling price per unit	12
Variable cost per unit	4
Fixed cost of operations per year	75,000
N Company	
Selling price per unit	122
Variable price per unit	8
Fixed price for operations per year	50,000

Required:

- Calculate the break-even point of each company in units. (5 marks)
- If both companies intended to make profit of Ksh. 120,000, have to produce and sell. (5 marks)

- c) Explain the importance of cost classification to a business. (10 marks)

Question two

- a) Distinguish between management accounting and financial accounting. (5 marks)
- b) The following cost has been obtained from the records of a certain firm that assembles cars.

Month	Number of car assembled	Total cost incurred (Ksh 'M')
January	160	164
February	90	112
March	110	100
April	112	96
May	116	120
June	120	124
July	130	128
August	136	130
September	140	140
October	150	148
November	170	180

Required:

- i) Using regression analysis, compute equation that can be used to estimate the future costs. (10 marks)
- ii) Using the equation, estimate the cost that you would incur in the cost that you would incur in the month of December when 180 computers will be assembled. (5 marks)

Question three

PQ Ltd processes a range of products which include detergents which passes through three processes before completion and transfer to be the finished goods store. During the month of February 2024, the following data was obtained from the company's records.

	Processes			Total
	1	2	3	
	Ksh	Ksh	Ksh	Ksh
Business raw materials (10,000 units)	6000	-	-	6000
Direct materials added in process	8500	9500	5500	23500
Direct wages	4000	6000	12000	22000
Direct expenses	1200	930	1340	3470
Production overhead	3000	4500	9000	16500

	Units	Units	Units
Output	9200	8700	7900
Normal loss in process	%	%	%
	10	5	10
	Ksh	Ksh	Ksh
Scrap value per unit	0.20	0.50	1.00

Production overheads as a percentage of direct wages. There was no stock at the beginning or closing of any process.

- i) Process 1 account (4 marks)
- ii) Process 2 account (4 marks)
- iii) Process 3 account (4 marks)
- iv) Abnormal loss account (4 marks)
- v) Abnormal gain account (4 marks)

Question four

- a) Franks furniture firm manufactures a wide range of home furniture. Recently the company added to its range of sideboard. The standard cost specification for each sideboard is given below:

Material; Timber 6kg at Ksh 280 per kg
 Vanish litres at ksh 300 per litre

Labour 8 hours at Ksh 60 per hour

Budgeted variable overhead 40,000

During the month of May 2023, 620 sideboards were manufactured. The actual qualities and costs incurred were as follows:

	Quality	Ksh
Material: Timber	4500kg	1,125,000
Vanish	290litre	89,900
Labour hours	5200hrs	364,000

Actual variable overheads 42,000

Required:

- i) Material price variance for each material and total material price variance. (5 marks)
 - ii) Material usage variance for each material and total material usage variance. (5 marks)
 - iii) Labour efficiency variance. (2 marks)
 - iv) Variable overheads expenditure variance. (2 marks)
- b) Discuss three types of standards used in standard costing. (6 marks)
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