

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 212: COST ACCOUNTING

STREAMS: BCOM (ODEL)

TIME: 2 HOURS

DAY/DATE: TUESDAY 10/12/2024

8.30 A.M – 10.30 A.M.

INSTRUCTIONS:

- Answer question ONE and ANY other TWO.

QUESTION ONE

- (a) Explain the importance of budgeting to a firm. (5 marks)
- (b) Discuss the objectives of variance analysis. (5 marks)
- (c) The following cost data has been obtained from the records of a certain assembly plant:

Month	Numbered of machines assembled	Total costs incurred in Ksh.
Jan	160	164,000
Feb	90	112,000
Mar	110	100,000
April	112	96,000
May	116	120,000
June	120	124,000
July	130	128,000
Aug	136	130,000
Sep	140	140,000
October	150	148,000
Nov	170	180,000

- Required:** (i) Using regression analysis, compute an equation that can be used to estimate the costs. (8 marks)
- (ii) Using the equation in (i) above, estimate the cost that would be incurred by the plant in the month of December when 374 machines will be assembled. (2 marks)
- (d) Discuss the decision making process and explain what happens in each stage. (10 marks)

QUESTION TWO

- (a) The following information relates to a manufacturing company.
 Standard Materials. 200kgs @ ksh 5per kg
 Actual material used 2200 kgs @ ksh 8 per kg

Required:

- (i) Calculate material price variance (3 marks)
 (ii) Calculate material usage variance (3 marks)
 (iii) Explain the causes of material usage variance (3 marks)
- (b) Explain the difference between management accounting and financial accounting. (5 marks)
- (c) Explain the importance of cost classification to a firm. (6 marks)

QUESTION THREE

- (a) Identify different uses of accounting information by a firm. (5 marks)
 (b) From the following information prepare a cost statement clearly showing the various components of the cost of production. (10 marks)

	Ksh.
Stocks on 1 st Jan 2022	
Raw materials	500,000
Work in progress	200,000
Finished goods	1,500,000
Purchase of raw materials	4,000,000
Returns of raw materials to supplies	50,000
Repairs to factory building	250,000
Salaries and wages	
Factory workers	900,000
Salesmen	180,000
Administrative staff	420,000
Insurance	500,000
Royalties paid	200,000
Depreciation of plant	120,000
Depreciation of buildings	400,000
Advertising expenses	40,000
Discount attained	5,000
Clearing expenses of buildings	15,000
Bank charges	4,000
Depreciation of delivery van	26,000
Stocks on 31 st Dec 2023	
Raw material	480,000

Work progress	300,000
Finished goods	1,200,000
Rent	2,000,000
Direct expenses	230,000
Sales	12,000,000
Sales returns	500,000

Additional information:

(i) The factory building has been badly damaged as a result of faulty electrical wiring. A provision of Ksh 100,000 is required to cater for the repairs.

(ii) The building used by the company occupies an area of $10,000 m^2$. Of this area, the factory occupies $5,000 m^2$, the wavehouse $2,000 m^2$ and the administrative officer occupy the remaining area.

(iii) Insurance prepaid on 30th Dec 2023 amounted to Ksh. 50,000. The insurance expense is to be apportioned in the ratio 2:2:1 to the factory, warehouse and administrative expenses respectively.

(iv) A provision of Ksh 50,000 needs to be made for a bonus payable to the factory supervisor who helped improve efficiency during the year.

(c) Differentiate between fixed costs and variable costs giving examples. (5 marks)

QUESTION FOUR

(a) A company in Chuka Town processes a range of products which indicate a detergent which passes through three processes before completion and transfer to the finished goods, store. During the month of February 2022, the following data was obtained from the company's records.

	Process			Total
	1	2	3	
	Ksh	Ksh	Ksh	
Basic raw materials (100000 units)	6,000	-	-	6,000
Direct materials added in process	8,500	9,500		23,500
Direct wages	4,000	6,000	5,500	22,000
Direct expenses	1,200	930	12,000	3,470
Production overheads			0	16,500
Output	Units	Units	Units	
	9,200	8,700	7,900	
	%	%	%	
Normal loss	10	5	10	
Value per unit	Ksh	Ksh	Ksh	
Scrap value per units	0.20	0.50	1.00	

Production overheads are absorbed as a percentage of direct wages. There was no stock at the beginning or during the process.

Required:

- (i) Process 1 account (4 marks)
 - (ii) Process 2 account (4 marks)
 - (iii) Process 3 account (4 marks)
 - (b) Explain the causes of normal loss in production. (5 marks)
 - (c) Explain any marginal costing is preferred to absorption costing. (3 marks)
-