



# **MURANG'A UNIVERSITY OF TECHNOLOGY**

## **SCHOOL OF BUSINESS AND ECONOMICS**

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2020/2021 ACADEMIC YEAR

**SECOND YEAR FIRST SEMESTER EXAMINATION FOR, BACHELOR OF  
BUSINESS INFORMATION TECHNOLOGY  
BCA 211– COST AND MANAGERIAL ACCOUNTING  
DURATION: 2 HOURS**

### **Instructions to candidates:**

1. Answer question One and Any Other Two questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

**SECTION A: ANSWER ALL QUESTIONS IN THIS SECTION**

**QUESTION ONE (30 MARKS)**

- a) Highlight five uses of cost volume profit analysis (5marks)
- b) Outline five advantages of absorption costing (5marks)
- c) State five uses of standard costing technique (5marks)
- d) Outline four features of job order costing (4marks)
- e) Distinguish between a cost centre and a cost unit (2marks)
- f) Highlight six methods used to charge overheads to cost units (6marks)
- g) Outline how costs can be classified according to relationship with the product (3marks)

**SECTION B – ANSWER ANY TWO QUESTIONS IN THIS SECTION**

**QUESTION TWO (20 MARKS)**

- a) Explain five functions of a budget in managerial decision making (10marks)
- b) The following information relates to Mitchell Ltd which prepare its statement on marginal basis
  - i. Direct costs expressed as a percentage of sales

Material	45%
Labour	30%
Expenses	5%

- ii. Annual fixed costs amount to sh 2,000,000.
- iii. Budgeted sales amounted to sh 13,500,000
- iv. Selling price is sh 2000

Calculate:

- i. Break-even point in units and value (5marks)
- ii. Margin of safety (2marks)
- iii. Profit or loss for the period (3marks)

### QUESTION THREE (20 MARKS)

- a) The following information relates to starlet Construction Company for the year ending 31<sup>st</sup> December 2020.

Material from store	250,000
Material delivered to site	1,000,000
Wages paid	500,000
Direct expenses	300,000
Overheads	800,000
Plant value at the beginning	5,000,000
Plant value at the end	200,000
Material on the site at the end	200,000
Value of work certified	3,280,000
Cost of work not certified	180,000
Contract price	5,000,000
Cash received	2,800,000

The contract is expected to take 2 years up to 31 December 2021.

- a) Prepare a contract account for the year ending 31<sup>st</sup> 2020 (8marks)  
b) Explain the meaning of retention money as used in contract costing (2marks)  
c) Discuss five limitations of cost accounting (10marks)

### QUESTION FOUR (20 MARKS)

Delux ltd manufactures a product that undergo three process 1,2,and 3.In the month of September 2021,80000units of raw material were introduced into process. The buying price of the raw material was sh 100 per unit costs incurred for the processes were as follows

Cost element	Process 1	Process 2	Process 3
Direct material	800,000	600,000	300,000
Direct labour	600,000	600,000	400,000
Direct expenses	400,000	300,000	800,000
Production overheads	200,000	400,000	600,000
Output	85%	100%	75%
Normal loss	10%	5%	20%

### REQUIRED

- a) Prepare process accounts for each of the three processes (9marks)  
b) Explain three methods a firm can use to estimate costs (6marks)  
c) Discuss five basis an organisation can use to charge overheads to cost centres (5marks)