



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 DIPLOMA IN
BUSINESS MANAGEMENT
BCA 051– COST 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) Explain the following terms as used in the cost accounting
- i. Cost centre (1mark)
 - ii. Service department (1mark)
 - iii. Production department (1mark)
 - iv. Prime cost (1mark)
 - v. Production costs (1mark)
- b) XYZ ltd produces an item and sells the item at a cost of Sh 100. The marginal cost of production is Sh 60 and the total fixed cost is Sh 4000 per annum. Calculate
- i. The break-even quantity and sales (3marks)
 - ii. The sales in order to earn a profit of Sh 5000 (2marks)
- c) Given:
- i. Total budgeted overheads =240,000
 - ii. Production budget is as follows

Product	A	B
Units	20,000	10,000
Labour hours	20,000	20,000
Labour cost (Sh)	17,500	22,500
Machine hours	45,000	15,000
Material cost Sh	15,000	25,000

Required

Compute the overheads absorption rate per unit of A and B using the following methods.

- i. Unit output (2marks)
 - ii. Labour hours (2marks)
 - iii. Machine hours (2marks)
 - iv. Percentage on direct labour cost (2marks)
- d) Giving an example in each, differentiate between direct costs and indirect costs (4marks)
- e) Discuss types of budgets used in budgetary control (4marks)
- f) State four importance's of cost accounting (4marks)

SECTION B – ANSWER ANY TWO QUESTIONS IN THIS SECTION

QUESTION TWO (20 MARKS)

- a) Discuss 5 limitations of cost accounting (10marks)
- b) The manufacturer of products X involves three processes 1, 2 and 3 in the month of January 2020, 8000 units valued at Sh 25 were introduced to process I costs and output of the three processes were as follows.

Cost element	Process 1	Process 2	Process 3
Direct material	60,000	80,000	40,000
Direct labour	150,000	120,000	80,000
Direct expenses	25,000	6000	-----
Overheads	26,000	24,000	20,000
Output(units)	7,360	6,630	5,960
Normal loss	8%	10%	10%

Required: Prepare process accounts (10marks)

QUESTION THREE (20 MARKS)

- a) Discuss 5 ways of classifying costs (10marks)
- b) The following information relates to ABC Ltd for the year ended 31st December 2020.

Production	30,000 units
Sales	22,500 units
Production costs	Sh.....
Direct material	1,800,000
Direct labour	900,000
Overheads Production(fixed)	750,000
Overheads Production (variables)	600,000
Selling and administration costs	
Sales commission	150,000
Advertising	200,000
Delivery van expenses	360,000
Selling price	200

Require:

Prepare a cost statement using absorption technique (10marks)

QUESTION FOUR (20 MARKS)

- a) Discuss 4 methods of costing (8marks)
- b) Explain the steps involved in standard costing (4marks)
- c) Discuss four advantages of standard costing system in an organization (8marks)