



## **MURANGA UNIVERSITY COLLEGE**

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

**MAIN CAMPUS**

**UNIVERSITY EXAMINATIONS**

**2014/2015 ACADEMIC YEAR**

**FIRST YEAR ONE SEMESTER EXAMINATIONS**

**CERTIFICATE IN BUSINESS MANAGEMENT.**

**COURSE CODE: CIB0105**

**COURSE TITLE: COST ACCOUNTING**

**DATE: 17<sup>TH</sup> AUGUST 2015**

**TIME: 2 HOURS**

### **INSTRUCTIONS TO CANDIDATES**

- 1) Question **one** is compulsory
- 2) Attempt any other **two** questions

**SECTION A:**

**QUESTION ONE:**

- a) Define a budget? **(6 marks)**
- b) A company wants to buy a new machine to replace one, which is having frequent breakdown. It received offers for two models, M1 and M2. Further details regarding these two models are given below

<b>Particulars</b>	<b>M1</b>	<b>M2</b>
Installed Capacity [Units]	10, 000	10, 000
Fixed overheads per annum	SH.200, 000,000	Rs.1 00, 000,000
Estimated profit t at the above capacity	Sh.1 60,000,000	sh.100, 000, 0000

The product manufactured using this type of machine, M1 or M2, is sold at sh.10, 000 per unit. You are

**Required to determine,**

1. Break Even level of sales for each model. **(3 MARKS)**
2. The level of sales at which both the models will earn the same profit. **(6 MARKS)**
3. The model suitable for different levels of demand for the product. **(3 MARKS)**

- c) List the objectives of merit rating? **(12 marks)**

**SECTION B.**

**QUESTION TWO:**

The management of XYZ Ltd. is worried about the increasing labor turnover in the factory and before analyzing the causes and taking remedial steps, they want to have an idea of the profit foregone as a result of labor turnover during the last year.

Last year's sales amounted to .sh.83, 300, 300 and the profit /volume ratio was 20%. The total number of actual hours worked by the direct labor force was 445,000 sh.. As a result of the delays by the Personnel department in filling vacancies due to labor turnover, 1 00, 000 potentially productive hours were lost. The actual direct labor hours included 30, 000 hours attributable to training new recruits, out of which, half of the hours were unproductive.

The cost incurred consequent on labor turnover revealed, on analysis the following.

Settlement cost due to leaving sh.430, 820,000

Recruitment costs: sh.260, 740,000

Selection costs: sh.120, 750,000

Training costs: sh.300, 490,000

Assuming that the potential production lost as a consequence of labor turnover could have been sold at prevailing prices, find the profit t foregone last year on account of labor turnover. **(8 MARKS)**

b) During October 2007, the following information is obtained from the Personnel Department of a manufacturing company.

Labor force at the beginning of the month 1900 and at the end of the month 2100

During the month, 25 people left while 40 persons were discharged. 280 workers were engaged out of which only 30 were appointed in the vacancy created by the number of workers separated and the rest on account of expansion scheme. Calculate the labor turnover by different methods?

**(12 marks)**

**QUESTION THREE:**

- a) The following transactions in respect of Material Y occurred during the six months ended 30th June 2007.

MONTH	Purchased [Units]	Price Per Unit Rs.	Issued [Units]
JANUARY	200	25	NIL
FEBRUARY	300	24	250
MARCH	425	26	300
APRIL	475	23	550
MAY	500	25	800
JUNE	600	20	400

**Required:** The Chief Accountant argues that the value of closing stock remains the same, no matter which method of pricing of material issues is used. Do you agree? Why or why not? Detailed Stores Ledgers are not required.

**(12 Marks)**

- b) After inviting tenders, two quotations are received as follows.

Supplier A: sh..2.20 per unit

Supplier B: sh.2.10 per unit plus sh.2000 fixed charges irrespective of the units ordered.

Calculate the order quantity for which the purchase price per unit will be the same.

Considering all factors regarding production requirements and availability of finance, the purchase office wants to place an order for 15, 000 units. Which supplier should he select?

**( 8 marks)**

#### QUESTION FOUR

A company is manufacturing a chemical product making use of four different types of raw materials. The following information is available regarding the standards and actual.

There is an inevitable normal loss of 10% during the processing. Actual output 92, 000 kg

Material	Share of total input Standard - %	Raw material cost Standard Rs/kg	Quantity consumed Actual	Raw material cost – Actual Rs./kg
A	40	50	42, 000	48
B	30	80	31, 000	80
C	20	90	18,000	92
D	10	100	9,000	10

Calculate Material Cost, Price, Quantity, Mix and Yield variances

(10 marks)

b) The following data has been collected from the cost records of a unit for computing the various fixed

overhead variances for a period.

Number of budgeted working days – 25

Budgeted man-hours per day – 6,000

Output [budgeted] per man-hours: 1 unit

Fixed overhead cost as budgeted: Rs.1, 50, 000

Actual number of working days: 27

Actual man-hours per day: 6, 300

Actual output per man-hours [in units]: 0.9

Actual fixed overhead: sh.156, 000,

Calculate fixed overhead variance?

(10 marks)