



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

FOR THE CERTIFICATE BUSINESS MANAGEMENT.

MAIN EXAM

COURSE CODE: CIB0105

COURSE TITLE: COST ACCOUNTING

DATE:

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

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

Question one:

a] Define and explain the following terms?

i) Business transaction (2marks)

ii) Matching concept (2marks)

iii) Separate entry (2marks)

iv) Double entry (2 marks)

v) Going concern (2 marks)

TOTAL 10MARKS

b) What are the features of process costing? (10 marks)

c) What is a cost-plus- contract. Discuss this from the point of view of

i) Manufacturer

ii) and the buyer.

(10 marks)

SECTION B:

QUESTION TWO.

a) Prepare a Statement of Equivalent Production, Cost Statements, Statement of Valuation and Process Account from the following particulars using first in First out Method

I] Opening work in progress – 900 units @SH45, 000,000, degree of completion, material –100%, labor and overheads – 60%

II] Input of materials: 9100 units @ sh.273, 000,000, expenses: Labor Rs.12, 300, overheads Rs.8, 200

III] Finished units transferred to next process – sh.78, 000,000

IV] Normal scrap – 10% of input, scrap realization @ sh.3 0,000per unit

V] Units scrapped- 1,200 units, degree of completion: material 100%, labor and overheads: 70%

VI] Closing work in progress – 1000 units, degree of completion: material 100%, labor and Overheads 80%

(10 MARKS)

b) Write short notes on the methods of pricing used for valuing equivalent units?

(6 marks)

c) Illustrate the compilation of abnormal loss?

(4 marks)

TOTAL (20 MARKS)

QUESTION THREE:

- a) What are the limitations of job costing? (4 marks)
- b) Discuss the methodology of job costing? (10 marks)
- c) List and explain the features of job costing (6 marks)

QUESTION FOUR:

- a) In a manufacturing unit, overhead was recovered at a predetermined rate of sh. 200,000 per labor hour. The total factory overhead incurred and the labor hours actually worked were sh45, 000,000,000 and 2,000,000,000 respectively. During this period, 30,000 units were sold. At the end of the period 5,000 units were held in stock while there was no opening stock of finished goods. Similarly though there was no stock of uncompleted units at the beginning of the period, at the end of the period there were 10,000 incomplete units which may be reckoned as 50% complete.

On analyzing the reasons, it was found that 60% of the unabsorbed overheads were due to defective planning and rest were attributed to increase in overhead costs.

How would unabsorbed overheads be treated in cost accounts? (10 marks)

- b) The production department of a factory furnishes the following information for the month of March, 2007.

Materials used sh 540,000,000

Direct Wages sh. 450,000,000

Overheads sh.360, 000,000

Labor hours worked - 36,000

Hours of machine operation - 30,000

For an order executed by the department during the period, the relevant information was as under.

Materials used Rs. 6, 00,000

Direct Wages Rs. 3, 20,000

Labor hours worked - 3,200

Machine hours worked - 2,400

Calculate the overhead charges chargeable to the job by the following methods,

i. Direct materials cost

percentage rate

ii. Labor hour rate

iii. Machine hour rate.?

(10 marks)