



**MURANG'A UNIVERSITY COLLEGE**  
(A constituent college of Jomo Kenyatta University of Agriculture and Technology)  
SCHOOL OF BUSINESS AND ECONOMICS.

DEPARTMENT: COMMERCE

PROGRAMME; DIPLOMA IN BUSINESS MANAGEMENT

ORDINARY EXAM

UNIT NAME: COST ACCOUNTING

UNIT CODE: DAB 1121

DATE: 21<sup>ST</sup> AUGUST 2015

TIME:2 HOURS

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INSTRUCTIONS: ANSWER QUESTION *ONE* AND ANY OTHER *TWO* QUESTIONS.

### QUESTION 1

- (a) Explain **FIVE** objectives of costing? (5 marks)
- (b) Explain the following terms using in cost accounting
- (i) Cost centre. (1 mark)
  - (ii) Profit centre. (1 mark)
  - (iii) Job order costing (1 mark)
  - (iv) Marginal costs (1 mark)
  - (v) Historical costing (1 mark)
- (c) Highlight **FOUR** advantages of budgets. (4 marks)
- (d) Differentiate between the following terms:
- (i) Product and period cost (2 marks)
  - (ii) Fixed and variable cost (2 marks)
  - (iii) Direct and indirect costs (2 marks)
- (f) Calculate the break even point from the following information fixed costs sh.1200  
variable cost sh.5000 sales sh 7000 sales unit 1000 (5 marks)
- (h) Explain **FIVE** Benefits centralized organization of four chasing. (5 marks)

### QUESTION 2

- (a) What are the main characteristics (essentials of an ideal cost system. (5 marks)
- (b) Mention the limitations of costing. (5 marks)
- (c) The following cost information relates to Murang'a farm nuts Ltd.

	Sh.
Materials consumed	20,000
Direct wages	18,000
Factory overheads, 3000 hour @ sh 2	

offer administration cost 10% of work cost number of units produced and 5000 units and selling price per unit sh 2

Cost stocking 400 units

### QUESTION 3

(a) Draw a cost sheet showing the following

- (i) Prime cost
- (ii) Works cost
- (iii) Cost of product an sales
- (iv) Sales
- (v) Net profit

(b) Explain the advantages of perpetual inventory method of stock control. (6 marks)

(c) From the following prepare products budget for the year end 2008

	PRODUCT			
	A	B	C	D
	Units	units	C	units
Estimated sales	80,000	60,000	50,000	20,000
Estimated opening balance	30,000	25,000	10,000	5,000
Desired closing balances	35,000	20,000	20,000	10,000

### QUESTION 4

(a) Clothes co. express ltd manufacture material Y soft. Explain reasons for material variance during production of goods. (4 marks)

#### Stand mixture

150 kg @ sh 20 per kg

Actual mixture

130 kg @ sh.18 per kg

- Calculate
- (i) Material cost variance
  - (ii) Material price variance
  - (iii) Material usage variance
- (6 marks)
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- (b) (i) Explain advantages of coding materials .
- (ii) Use FIFO method to price materials of four unskilled

Year 2004

	Date in unit	Quantity Per unit, sh	rate
Dec.	1 opening stock	300	9.70
“	3 Purchases	250	9.80
“	11 Issues	400	
“	15 purchases	300	10.50
“	20 Issues	210	
“	25 issues	100	

**(Total: 20 marks)**