MURANG'A UNIVERSITY COLLEGE

(A constituent college of Jomo Kenyatta University of Agriculture and Technology)

SCHOOL OF BUSINESS AND ECONOMICS.

CAMPUS: MAIN

DEPARTMENT: COMMERCE

YEAR OF STUDY: YEAR TWO, SEMESTER ONE; AUGUST – DECEMBER, 2015

ACADEMIC YEAR: 2015/2016

PROGRAMME; DIPLOMA IN BUSINESS MANAGEMENT

UNIT NAME: COST ACCOUNTING

UNIT CODE: DAB 1121

SUPPLEMENTARY EXAMINATION

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

QUESTION ONE

a) Explain the advantages of perpetual inventory method (6 marks)
b) Highlight **FOUR** sections into which cost accounting is divided (8 marks)
c) Briefly explain ***FOUR*** classifications of costs (4 marks)
d) What are the advantages of standard costing (8 marks)

(Total 30 marks)

QUESTION TWO

a) Describe factors you would consider in choice of a costing (10 marks)
b) The following is provided to you relating to ABC co. ltd

	Sh
Sales for the year	375,000
Opening stock of finished goods	7000
WIP	4000
Purchasing materials for the year	110,000
Opening stock of raw materials	3000
Closing stock of raw materials	4000
Direct labour	6500
Factory oils	21,000

<u>Other expenses</u>

Selling expenses 10% sales

Administrative expenses 30% of sales

Required: prepare a statement of cost (10 marks)

(Total 20 marks)

QUESTION THREE

a) What are the advantages of centralised purchasing (10 marks)
b) Describe the procedure of purchasing (10 marks)

(Total marks 20)

QUESTION FOUR

a) Cost A buys annual requirements of 36,000 units of an instalment ordering cost is Ksh 25, inventory carrying cost 20%of unit value which is Ksh 640.

Calculate EOQ (4 marks)

b) Write short notes on

i. Standard costing (4 marks)
ii. Historical costing (4 marks)
iii. Job costing (4 marks)
iv. Contract costing (4 marks)

(Total marks 20)