



MURANGA UNIVERSITY COLLEGE

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

SCHOOL OF BUSINESS AND ECONOMICS

MAINCAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

PROGRAMME: DIPLOMA

EXAMINATION: SUPPLEMENTARY/SPECIAL

UNIT CODE: DAB 1121

UNIT NAME: COST ACCOUNTING

DATE:

TIME:

INSTRUCTIONS TO CANDIDATES

Answer Question ONE (1) **Compulsory**
ANSWER any other TWO

QUESTION ONE

- (i) Explain **FOUR** benefits of cost accounting to management. [5 marks]
- (ii) Differentiate between personal and impersonal cost centres and production and service cost centres. [4 marks]
- (iii) What are **FIVE** benefits which accrue to an organization using perpetual inventory control. [5 marks]
- (iv) Show **FIVE** cost which may be incurred due to high turnover of a company. [5 marks]
- (v) High light assumption of breakeven chart. [5marks]
- (vi) A company has annual demand of material and of £2500 tons per annum. Price per ton is sh 2,000 delivery cost are sh 400 and stock holding cost 25% per annum. [4 marks]

Calculate economic order quantity.

Explain five characteristic of job costing. [2 marks]
[Total 30 marks]

QUESTION TWO

- (a) Explain essentials of an ideal cost system.
- (b) The over heads of a manufacturing company were sh 250,000 for a specific period.

Total output was 50,000 units. The following information was also provided

	Sh
Material cost	50,000
Labour cost	125,000
Number of machines hours	20,000

Calculate overhead absorption rate, using different absorption methods. [10 marks]
[total 20 marks]

QUESTION THREE

- (a) Murang'a vetting services basic rate is £3 and overtime rates are time and a half for evening and weekend double the rate. The following details are recorded for three jobs A, B and C

Job A	Job B	Job C
Clock hours	clock hour	clock hours

Normal time	480	220	150
Evening time	102	60	80
Weekend	10	30	16

Calculate amount charged under jobs A B & C

- (b) A B C engineering Ltd has three debts ie preparation dept, Machining dept and assembly dept. The budget direct labour hours for the dept are sh 8,000, sh 120000 and sh 10,000 respectively.

Factory fixed overheads are budgeted at sh 180,000 for the year and variable cost

Department	Budget
	Sh.
Preparation	24,000
Machining	84,000
Assembly	60,000

Agreed hours

Wages	rates
	Sh
Preparation	15
Machining	25
Assembly	10

The following details relate to job R 65

	sh
Raw materials from stock	9000
Bought in components	3000

Direct Labour

Preparation	60 hours
Machining	220 hours
Assembly	150 hours

Absorption

Administration and selling 10% of factory cost

Profit 25% of total costs

Required

Cost estimate for job R65

[10 marks]

[Total 20 marks]

QUESTION FOUR

- (a) Discuss essentials of ideal cost system. [10 marks]
- (b) For the year 2010. TSZ company ltd produced and sold 10,000 units during the month of August cost accountant provides you with this extra cost information.

Direct material per unit	sh 10
Direct labour per unit	6
Variable overheads	4
Fixed overheads for August 2010	sh 40,000
Selling price per unit	sh 30

Required

- (a) Marginal cost and profit for August 2015 [6 marks]
- (b) Calculate breakeven point [3 marks]
- [10 marks]
- [Total 20 marks]**