



MURANG'A UNIVERSITY COLLEGE

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

SCHOOL OF BUSINESS & ECONOMICS

DEPARTMENT: COMMERCE

EXAMINATION: ORDINARY

CAMPUS: MAIN

YEAR OF STUDY: 2015/2016

UNIT NAME: COST ACCOUNTING

UNIT CODE: DAB 1121

DATE: 10TH DECEMBER, 2015

TIME: 2 HOURS

INSTRUCTION:

ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION ONE

- a) Explain **FOUR** advantages of cost accounting to management. (4 marks)
- b) As a cost accountant, explain **FOUR** characteristics of a sound wage system to others in the organisation (4 marks)
- c) Briefly explain **FIVE** classifications of costs. (5 marks)
- d) The annual demand of product C is 48000 units. The cost per unit is sh 20 for every finished product. Ordering costs amounts to sh 120 per order and holding cost is 10% per annum. Calculate economic order quantity. (5 marks)
- e) In a job no. 650, the following direct costs were incurred.

Direct materials sh 4020

Direct wages	Dept A	60 hours @sh 3per hour
	Dept B	40 hours @ sh 2 per hour
	Dept C	20 hours @ sh 5 per hour

Overhead expenses were estimated as follows;

Dept A sh 5000 for 5000 labour hours

Dept B sh 3000 for 1500 labour hours

Dept C sh 2000 for 500 labour hours

Fixed overhead sh 20000 for 10000 normal working hours

Calculate cost of job 650 (5 marks)

- f) Outline **FOUR** benefits of perpetual inventory control (4 marks)
- g) Explain **THREE** causes of labour turnover (3 marks)

(TOTAL 30 MARKS)

QUESTION TWO

- a) From Modern Electronics Ltd which produces a standard produce, provides you with the following information.

<u>Raw materials</u>	sh
Opening stock	10000
Purchases	85000
Closing stock	4000
Direct wages	20000
Other direct expenses	10000
Factory overheads	100% of direct labour
Office overheads	10% of work cost
Selling expenses sh per unit sold	

Finished goods

Opening stock 1000 units at sh 1600 produced during the year 10000 units

Closing stock 2000 units

Required;

Prepare a cost sheet and ascertain selling per unit so as to yield 20% on selling.

(10 marks)

- b) From the following information of Wananchi Manufacturing concern as at 31st Dec, 2004. Use FIFO method to show value of closing stock on 31st Dec 2004.

<u>2004</u>		<u>Quantity</u>	<u>Rate per unit</u>
<u>Dec</u>		<u>Units</u>	<u>Sh</u>
1	Opening stock	300	9.70
3	Purchases	250	9.80
11	Issues	400	
15	Purchases	300	10.50
20	Issues	210	
25	Purchases	150	10.30
29	Issues	100	

(10 marks)

(TOTAL 20 MARKS)

QUESTION THREE

- a) A firm's basic rate is sh 3 and overtime rates are time and a half for evening and double time for weekend. The following details have been recorded for the three jobs

	Job X	Job Y	Job Z
	Clock hrs	Clock hrs	Clock hrs
Normal time	480	220	150
Evening time	102	60	80
Weekend	10	30	16

Calculate labour cost chargeable when overtime is worked at customer's request to advance delivery time. (10 marks)

- b) Modern Co. Ltd has four depts. ABC production departments and service dept D.

Actual costs for the period were as follows	<u>Sh</u>
Rent	2000
Repair	1200
Depreciation	900
Lighting	200
Supervisor	3000
Stock insurance	300
Power	1800
Employee insurance	300

Data available in respect of the four departments

	<u>Dept A</u>	<u>Dept B</u>	<u>Dept C</u>	<u>Dept D</u>
Area in sqft	150	110	90	50
No. of workers	24	16	12	8
	<u>Sh</u>	<u>sh</u>	<u>sh</u>	<u>sh</u>
Total wages	8000	6000	4000	2000
Value of plant	24000	18000	12000	6000
Value of stock	15000	9000	6000	

Apportion the cost to various departments in the most equitable method. (10 marks)

(TOTAL 20 MARKS)

QUESTION FOUR

- a) Describe FIVE causes of variances in materials (10 marks)
- b) From the following information, draw a break even chart. A company makes a single product with a total of 400,000litres p.a. Cost and sales data are as follows

Selling price per litre 1

Cost price per litre 0.5

Fixed costs 100,000

Find profit at level of production of 300000 litres. (10 marks)

(TOTAL 20 MARKS)