



# **MURANGA UNIVERSITY COLLEGE**

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

## **SCHOOL OF BUSINESS AND ECONOMICS**

**MAINCAMPUS**

**ORDINARY UNIVERSITY EXAMINATIONS**

**YEAR 1 SEMESTER 2 JANUARY – MAY 2016**

**PROGRAMME: DIPLOMA IN BUSINESS MANAGEMENT**

**EXAMINATION: ORDINARY**

**UNIT CODE: DAB 1121**

**UNIT NAME: COST ACCOUNTING**

**DATE: 18<sup>TH</sup> APRIL 2016**

**TIME: 2 HOURS**

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### **INSTRUCTIONS TO CANDIDATES**

Answer Question **ONE (1)** is compulsory

Answer any other **TWO**

## QUESTION ONE

- (a) Explain **FIVE** objects of costing accounting. [5marks]
- (b) 'Cost accounting has become an essential tool of modern management. Explain it is so. [5 marks]
- (c) Briefly describe different methods of costing together with industries where they are applied. [5 marks]
- (d) Explain **THREE** advantages and two disadvantages of centralized purchasing. [6 marks]
- (e) A worker under Halsey plan is paid £12 per week of u 8 hours plus the cost of living index of sh10 per hour. The required tie to do a job is 8 hours which he completes in 8 hours. He is given a bonus of 30% of time saved. Calculate the hourly rate of wage. Would it make any difference under Rowan scheme. [5 marks]
- (f) Discuss types of standards used in costing.
- (g) A seed of Gold farmer would like to decide on two types of fertilizers P and Q. The following information is provided

Fertilizer	P	Q
Annual demand	2000 bags	1280 bags
Ordering cost	sh1250	sh 1400
Annual carrying cost per bag	sh 480	sh 560

### Required

- (i) EOQ to fertilizer P and Q [3 marks]
- (ii) Number of orders/deliveries for P and Q [2 marks]

[Total 30 marks]

## QUESTION TWO

- (a) The material standard for one unit of product is sh 3 at sh 5 per kg. 14000 kg were used at a cost if of sh 84000 and 4000 units were used

**Required**

Calculate

- (i) Material price variance [4 marks]  
(ii) Material usage variance [4 marks]  
(iii) Material cost variance [2 marks]
- (b) Differentiate between cost and financial accounts (10 marks)

**[Total 20 marks]****QUESTION THREE**

- (a) Modern Ltd manufactures two types of products C and D if uses two types of materials M and N in the manufactures of these two for budgeted sales

Products	quantity	Price
C	8000	30
D	10000	40

Materials used

Material	M	N
	Sh	sh
	8	5

**Unit cost**

Quantities used

C	4	4
D	5	3

There were not stocks at the beginning of the year. At the end of the year stock are  
Cited to be

C 500 unit is 1000

**Required**

- (i) Sales budget [3 marks]  
(ii) Production budget [3 marks]  
(iii) Material usage budget [2 marks]  
(iv) Material purchase budget [2 marks]

(b) K R manufacturers produces a standard product and provides you with the following information for the year ended 31<sup>st</sup> march 2008

Raw Materials	sh.
Opening stock	10,000
Purchase	85000
Closing stock	4,000
Direct wages	20,000
Direct expenses	10,000
Factory overheads	100% direct expenses
Office expenses	14,100
Selling expenses	18,000
Finished products, opening stock	1000 units
Produced during the year	10,000 units
Closing stock	2000 units
Profit on selling price	is 20%

**Required**

Cost sheet of K.R manufacturers

[10 marks]

**[Total 20 marks]**

**QUESTION FOUR**

(a) The following information relates to equatorial Nut

Selling price per unit = sh100

Variable cost per unit = 50

Fixed assets = sh 600,000

**Required**

(a)

(i) Break even chart.

[7 marks]

(ii) Contribution sales graph

[3 marks]

(b) The following information is available in the books of HRC construction company

	Sh.
Direct wages	480,000
Total direct materials cost	500,000
Direct labour hours	75,000 hrs
Direct machine hours	50,000 hrs
Units of output	750,000

Calculate the six overhead absorption rates.

[10 marks]

**[Total 20 marks]**