



**MURANG'A UNIVERSITY COLLEGE**

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

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF COMMERCE**

**MAIN CAMPUS**

**2015/2016 ACADEMIC YEAR**

**EXAM: END OF SEMESTER 2 EXAM**

**DIPLOMA IN BUSINESS MANAGEMENT**

**UNIT CODE : DAB 1121**

**UNIT NAME : COST ACCOUNTING**

**REGULAR EXAMINATION**

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**DATE: 24<sup>TH</sup> APRIL 2015**

**TIME: 2 HOURS**

**INSTRUCTIONS TO CANDIDATES  
and any other two questions**

**Answer question one**

**Q1a)** Differentiate between the following costs

- i. Avoidable and unavoidable costs (2marks)
- ii. Relevant and irrelevant cost (2marks)
- iii. Job and process costing (2marks)

b) Explain five considerations which should be considered when establishing a costing system (5marks)

c) Explain the duties of a store keeper (5marks)

d) The following figure related to Hi-tech Manufacturing company for the year ended 2008 prepare a cost state from the data showing prime cost work cost of production cost of sales. (5marks)

Materials;

stock 1-1-2008	1000
31-12-2008	2000
Purchase during 2008	10,000
Wages	7500
Profit for the year	6090
Selling overhead	5250
Factory overheads	4500
Administration	4200

e) Cool tea co.ltd supplies you with the following information

- i. Consumption 1200 units cost per unit sh. 40 cost of processing and order Ksh 600 insurance on inventory 25% obsolesce 15%

**Required**

- ii. EOQ (2marks)
- iii. Number of orders per year (2marks)

f) Explain the following terms as used in cost A/C

- i. Allocation (1mark)
- ii. Apportionment (1mark)
- iii. Absorption (1mark)

g) Highlight Two advantages of standard costing **Total 30marks**

**Q2 a)** i) Describe characteristics of good an ideal remuneration system (8marks)

ii) Explain replacement costs associated to of labour turnover (6marks)

b) Job XP of PP printers consumed the following costs.

Materials Ksh 10,000 direct labour Ksh 12,000 premium on direct labour Ksh 4,000 overhead 100% on direct labour, contract price for Job XP Ksh 50000

**Required**

100 cost sheet for job XP showing prime cost and profit/loss  
(6marks)

**Total 20marks**

**Q3a)** Explain factors you would consider in store layout  
(10marks)

b) As a departmental manager of Uhuru department storage manager. Discuss limitation are you likely to encounter. (10marks)

**Total 20marks**

**Q4a)** Describe the advantages of business enterprise obtained by coding its products. (6marks)

b) In Now enterprise limited the cost accounted provides you with the following information about products C (6marks)

consumption of units half yearly 400 units cost of placing an order Ksh 100 insurance of materials and risk of deterioration 25% and 15% respectively price per item Ksh 25

**Required:**

- i. EOQ
- ii. No of orders if one order is for 1000 units
- iii. Total inventory Cost (TIC)

c) Discuss the advantages of standard costing. (8marks)

**Total 20marks**