



MURANG'A UNIVERSITY COLLEGE

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

MAIN CAMPUS

SPECIAL/SUPPLEMENTARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

BComY2S1/BPSM Y1S2 SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: HBC 2203/HPS 2108

COURSE TITLE: COST ACCOUNTING

DATE : TIME:

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer ANY other TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 5 Printed Pages. Please Turn Over. ►

HBC 2203: COST AND MANAGERIAL ACCOUNTING

Required;

- a. Prepare separate process accounts for each of the three processes. (8 marks)
 - b. Prepare the abnormal loss and abnormal gain accounts. (4 marks)
- (Total; 30 marks)**

Question2

(a). Agnes and Peter decided to venture into the same business in the year 2014. They sold the same type of product in the same type of market. They have provided the following budget income statement for the year ending 30th June 2015.

	Agnes's Business Sh`000'	Peter's Business sh`000'
Sales	<u>600,000</u>	<u>600,000</u>
Variable cost	480,000	400,000
Fixed cost	<u>60,000</u>	<u>140,000</u>
	<u>540,000</u>	<u>540,000</u>
Budget net profit	<u>60,000</u>	<u>60,000</u>

Required;

- i. Break-even point of each business. (4 marks)
 - ii. The sales volume at which each business will earn a profit of sh 20,000,000. (3 marks)
 - iii. Margin of safety. (2 marks)
- c. Proget Ltd manufactures a single product, the standard cost per unit is as follows;

	sh
Direct materials	8
Direct labour	30
Variable selling cost	2

Additional information;

1. The budget fixed production overheads per annum amount to sh 7,200,000.
2. The normal production level per annum is 2,400,000 units.
3. In the month of April 2015, the number of units produced and sold was 240,000 and 200,000 units respectively.
4. The fixed selling cost per month amounts to sh 1,500,000.
5. The selling price per unit is sh 50.
6. There are no opening inventories.

Required;

Income statement for the month of April 2015 using;

- i. Absorption costing (5 marks)
- ii. Marginal costing (6 marks)

HBC 2203: COST AND MANAGERIAL ACCOUNTING

(Total 20 marks)

Question3

- (a) Explain four differences between cost accounting and financial accounting (4 Marks)
- (b) Teta general Hospital hires doctors from private hospital. The following data relate to the total labour hours and indirect labour costs for the year 31 October 2015.

Month	Labour cost Sh `000'	Labour hours
November 2011	13,090	748
December 2011	13,321	968
January 2012	11,044	682
February 2012	10,087	792
March 2012	8,470	660
April 2012	16,060	1,056
May 2012	1,980	858
June 2012	7,810	506
July 2012	14,476	902
August 2012	11,352	1,034
September 2012	8,272	748
October 2012	10,593	528

Required;

- i. Equation in the form of $Y = a + bx$ Using high – low method. (5 marks)
- ii. Using $\sum Y = 126,511,000$ $\sum X = 9,482$ $\sum XY = 102,936,636,000$ $\sum X^2 = 7,852,900$
Determine an equation in the form $Y = a + bx$. (7 marks)

Total labour cost for out sourcing 1,078 labour hours using the equation above.

(4 marks)

(TOTAL 20Marks)

Question 4

- (a) Outline **three** factors that might explain the difference between financial accounting profit and cost accounting profit (6 marks)

- (b) Kanga Ltd has three production departments and two service departments. The following is their budgeted factory overheads for the year ended 30 September 2016:

	Shs.	Shs.
Production departments;		
A	240,000	
B	180,000	
C	<u>220,000</u>	640,000
Service departments; X	86,000	
„ Y	<u>44,000</u>	<u>130,000</u>
		770,000

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The service department costs are to be re-apportioned as per the following percentages:

	A	B	C	X	Y
X	20	30	35	-	15
Y	30	30	30	10	-

Required:

(i) Re-apportion the service department costs to the production departments using the simultaneous equation method. (8 marks)

(ii) You have been informed that the overheads are absorbed on the basis of the direct labour hours and the budgeted direct labour hours for the department is given below;

Department; A	1,500,000
B	900,000
C	835,000

Required;

Determine the overhead absorption rates per hour for the three production departments (6 marks)

(TOTAL 20Marks)