



MURANG'A UNIVERSITY COLLEGE

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

MAINCAMPUS

SPECIAL/SUPPLEMENTARYUNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

BCom/ BBIT SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: HBC 2203

COURSE TITLE: COST ACCOUNTING

DATE : 26TH OCTOBER 2015 TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory

Answer TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities



QUESTION ONE;

- (a) ABC Company Ltd which manufactures product “Zed” has provided you with the following information;

Sales(sh.12 per unit)	107,040
Total variable cost	(62,440)
Total Fixed	<u>(45,000)</u>
Loss	<u>(400)</u>

Required

- (i) The Break Even point, in sales (2 marks)
- (ii) The profits of product “Zed” if sales in units are 20% above the Break Even point (2 marks)
- (iii) The profit that would be earned if sales promotion of sh 10,000 is incurred after which sales in units increases by 50% above the Break-Even point (2 marks)
- (iv) Profit at sales of sh 150,000 (2 marks)
- (b) The following information has been extracted from the books of Focus Ltd for the year ending 31 March 2013:

	Units ‘000’
Production	30
Sales	24
Production cost incurred:	Sh ‘000’
Direct material	7,200
Direct labour	1,800
Variable overheads	1,500
Fixed overheads	2,700
Selling and Administrations costs:	
Sales and salaries	450

Variable sales commission	300
Promotion and advertising	480
Other fixed costs	720

The company's unit selling price is Sh 550.

Required:

- Profit and loss statement under direct costing approach. (8 marks)
- Profit and loss statement under indirect costing approach. (8 marks)
- An explanation of the difference in profit or loss in (a) and (b) above. (4 marks)

(TOTAL:30 Marks)

QUESTION TWO

Sharp Shooters ltd, has three production departments, A, B and C and two service departments; P and Q. The overhead costs budget for the year ended 31 December 2014 was as follows;

	Sh.
Heating and lighting	32,000
Rent and rates	16,000
Insurance of machinery	3,500
Insurance of Building	7,600
Depreciation of machinery	90,000
Production supervisors salary	<u>120,000</u>
	<u>352,000</u>

The following data is also available for each of the five departments;

Departments	Production Departments			Service Departments	
	A	B	C	P	Q

Budgeted direct labour (hrs)	16,000	9,000	3,000	-	-
Labour rates per hour (sh.)	65	75	70	45	45
Floor area occupied (m ²)	15,320	5,720	3,320	3,320	2,320
Machine value (sh. '000')	14	8.5	7.5	-	-

Apportionment of overheads (%);

Department	A	B	C	P	Q
Service Department P	25%	38%	32%	-	5%
Service Department Q	40%	27%	18%	15%	-

Required;

- i. Overhead analysis sheet. (8 marks)
- ii. Reapportion the service costs to production department, using simultaneous equations method. (6 marks)
- iii. You have been informed that the overheads are absorbed on the basis of the direct labour hours and the budget direct labour hours for the departments is given below;

Department	Amount (Sh.)
A	1,500,000
B	900,000
C	835,000

Required;

Determine the overhead absorption rates per hour for the three departments. (3 marks)

- iv. Toy Master Ltd, uses Job order costing method. The following information relates to Job J631

Direct materials	sh 34,000,000
Direct Labour	sh 62,200,000

Department	Direct labour hours spent
A	40
B	35
C	35

Profit margin 25%

Calculate the total price to be charged for Job J631.

(3 marks)

(TOTAL:20 Marks)

QUESTION THREE

- (a) Highlight the differences between cost accounting and financial accounting.
(6 marks)
- (b) Huduma Bora 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 2014.

Month	Labour cost Sh '000'	Labour hours
November 2013	13,090	748
December 2013	13,321	968
January 2014	11,044	682
February 2014	10,087	792
March 2014	8,470	660
April 2014	16,060	1,056
May 2014	1,980	858
June 2014	7,810	506
July 2014	14,476	902
August 2014	11,352	1,034
September 2014	8,272	748
October 2014	10,593	528

Required;

- i. Equation in the form of $Y = a + bx$ Using high – low method. (6 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 $Y = a + bx$. (6 marks)

- iii. Total labour cost for out sourcing 1,078 labour hours using the equation
(ii) above. (2 marks)

(TOTAL:20 Marks)

QUESTION FOUR

High-tech Ltd ,a soap manufacturing company ,operates a processing system to produce soap branded “Zambui” which passes through three production processes.

The following information relates to the production of the soap;

1.In the month of May 2013,8,000 litres of the basic raw materials at a cost of sh 640,000 were introduced into process 1.

2.The following costs were incurred during the production period;

Process	1	2	3
	Sh.	Sh.	Sh.
Materials (added)	-	220,000	180,000
Direct labour	350,000	150,000	100,000
Direct expenses	90,000	50,000	20,000

3. The output, normal process losses and scrap value for each process were as follows;

Process	Output (litres)	Normal loss (%)	Scrap value (Sh.)
1.	7,000	5	5
2.	6,900	3	10
3.	6,603	2	12

4. Manufacturing overheads are absorbed into each process at the rate of 20% of direct labour cost.

5. The output of each process passes directly to the next process at cost without any provision for internal profit.

6. There were no stocks of raw materials or work -in-progress at the beginning or at the end of the production period.

Required;

(i)Process 1 account (4Marks)

(ii)Process 2 account (4 Marks)

(iii)Process 3 account (4Marks)

(iv)Abnormal Process loss account (4 Marks)

(v) Abnormal Process gain account (4 Marks)

(TOTAL:20 Marks)