



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF HUMAN RESOURCE

UNIVERSITY ORDINARY EXAMINATION

2017/2018 ACADEMIC YEAR

SECOND YEAR SEMESTER ONE EXAMINATION FOR BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

BCA 200 – COST AND MANAGEMENT ACCOUNTING

DURATION: 2 HOURS

DATE: 6TH DECEMBER, 2017

TIME: 2.00 – 4.00 P.M.

Instructions to Candidates:

1. Answer **Question 1** and **Any Other Two** questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

SECTION ONE - COMPULSORY

QUESTION ONE

- (a) Distinguish between the following cost accounting terminologies
- (i) Direct and indirect cost (2 marks)
- (ii) Cost centre and cost unit (2 marks)
- (b) Usafi Ltd has three production department and two service departments. The following are budgeted factory overheads for the year ended 31st December 2016.

		Shs'000'
Production	P	48,000
	Q	42,000
	R	30,000
	A	15,000
	B	<u>18,000</u>
		<u>153,000</u>

The service department costs are to be apportioned as follows:

	Production Department			Service Department	
	P	Q	R	A	B
Service Department "A"	20%	40%	30%	-	10%
Service Department "B"	40%	20%	20%	20%	-

Required:

- (i) Apportion the service department cost to the production department using simultaneous equation method. (9 marks)
- (ii) If the overheads are absorbed on the basis of the direct labour hours and that the budgeted direct labour hours for each department are given as follows:

Department P	:	1,500,000 hrs
Q	:	900,000 hrs
C	:	835,000 hrs

Required:

The overhead absorption rates for the three production departments

(3 marks)

(iii) Mention any other three bases of absorption except direct labour hours. (3 marks)

(c) ABC Company has provided you with the following information for the month of May 2017 when 8,000 units were analyzed.

Details of cost	Cost	Cost Behaviour
Direct materials	210,000	-
Direct labour	75,000	-
Depreciation	40,000	-
Telephone	1,000	Fixed
Other utilities	20,000	30% fixed
Supervisors salary	100,000	60%
Equipment repairs	30,000	20% variable
Indirect materials	2,0000	Variable
Factory maintenance	30,000	70% variable

Required:

(i) Using accounts analysis method derive a relationship of the

form $y = a + b x$

where $a =$ Fixed cost

$b =$ Variable cost per unit

$y =$ Total cost

$x =$ Number of units

(ii) Determine the total cost of the producing 9,000 units using equation (i) (6 marks)

(iii) A computer program provided the following constants.

$$a = 10.34$$

b= 139,000

- Determine the total cost of producing 900 units. (3 marks)
- (iv) Suggest a possible reason for the difference in values in parts (ii) and (iii). (2 marks)

SECTION TWO – ANSWER ANY TWO QUESTIONS

QUESTION TWO

- (a) Explain four types of costs under functional classification of costs. (4 marks)
- (b) Product ‘A’ is obtained after it is processed through processes. ‘A: ‘Y’ and ‘Z’
The following cost information is available for the year ended 31st December, 2016.

Particulars	Processes		
	X	Y	Z
Number of units			
Introduced in the process	500		
Rate per unit of units			
Introduced sh	4	-	-
Cost of materials	2,600	2,000	1,025
Direct wages	2,250	3,380	1,400
Normal loss based			
On input material	10%	20%	25%
Scrap value per unit	2	4	5
Output in units	450	340	270

Additional information

- (i) There is no stock in progress or opening and closing stock in any process.
- (ii) Production overheads is based on 100% of the direct wages.

Required;

- (i) The process Account. (7 marks)
- (ii) Finished goods Account (2 marks)
- (iii) The Normal Loss Account (3 marks)
- (iv) The Abnormal Loss Account (2 marks)
- (v) The Abnormal Gain Account (2 marks)

QUESTION THREE

- (a) Differentiate between Allocation of Overheads and Apportionment of overheads. (4 marks)
- (b) Wakulima Ltd manufacturers a single product branded. 'Exe" The standard cost per unit of Exe is given as follows:

	Sh
Direct materials	600
Direct labors	375
Variable production overheads	150
Fixed production overheads	<u>375</u>
	<u>1,500</u>

(a) Additional information:

1. Production and sales for Septembe 2016 and October 2016 are given as follows:

	September 2016	October 2016
	Units	Units
Production	2,000	3,200
Sales	1,500	3,000

- 2.The selling price per unit of Exe is sh 2,625.
- 3.The budget overheads per annum for administration and marketing were sh 6,000,000 and shs 3,000,000 respectively.
- 4.The variable production overhead and marketing costs were estimated at 15% of the sales.

Required:

Profit statement for the month of September 2016 and October 2016 using

- (i) Marginal costing. (8 Marks)
- (ii) Absorption costing. (8 marks)

QUESTION FOUR

- (a) Identify four distinguishing features between Financial Accounting and Cost Accounting. (4 marks)
- (b) XYZ Compnay intends to sell product PQ. The chief accountant has provided the following data.

Fixed costs Sh

Management cost	500,000
Rent	125,000
Depreciation	25,000

<u>Variable cost per unit</u>	Sh
Packaging Material	200
Raw materials	350
Direct Labour Cost	100
Variable Expenses	37.50

Additional Information:

1. The company's marketing manager proposes to sell the product PQ at sh 750 per unit.
2. The company marketing manager has projected a sale of 8,000 units per month.
3. The target profit level at the end of the first month in shs 125,000.

Required.

- (i) The number units required at Break Even Point. (4 marks)
- (ii) Based on the projected monthly sales, calculate the margin of safety (4 marks)
- (iii) The number of units required to earn the target profit at the end of the first month. (4 marks)
- (iv) If the Sales Manager proposes a sales level of shs 7,500,000, determine the profit that the company earns from the proposed sale. (4 marks)