



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2017/2018 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF SCIENCE IN ENTREPRENEURSHIP AND

BACHELOR OF COMMERCE

BCA 200/BCE 208 – COST AND MANAGERIAL ACCOUNTING

DURATION: 2 HOURS

DATE: 20/04/2018

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.

QUESTION ONE

- a) Lucky Ltd. have the choice of buying one of the two machines whose data is as follows:

	A	B
Production (Units)	40,000	40,000
Fixed cost	60,000	32,000
Profit	60,000	48,000

Using Break even analysis, Advise management on the best machine to purchase. (6 marks)

- b) The following information relates to Midex Ltd. which has 4 departments A B C and D.

Overheads	Sh
Indirect material	70,000
Rent	400,000
Depreciation-Building	100,000
Machinery -	140,000
Heating	400,500
Supervision	66,000
Insurance on machinery	35,000

Additional information.

	A	B	C	D
Area in meters squared (m ²)	1,500	1,200	800	500
Horse Power	17	15	10	8
Number of employees	8	6	5	3
Machine value	200,000	160,000	60,000	-

Indirect material were used by department A and D at a ratio of 3:4

Required

Prepare an overhead analysis sheet. (8 marks)

- c) An engineering workshop has 3 departments A, B and C. The following information relates the three departments.

	A	B	C
i. Variable overheads	28,000	48,000	72,000
Direct labour cost (sh.)	48,000	160,000	120,000

- Direct labour hours 4000 8000 12,000
- ii. Annual fixed overheads amounted to Sh. 240,000
- iii. The following data relates to job no 15P.

	Sh.
Raw material	40,000
Indirect material	6,000
Direct labour hours	
Department A	40
B	180
C	200

Administration and selling overheads were absorbed by adding 10% to all other costs. The profit margin is 25%.

Required

Prepare a job cost card for Job no 15P (10 marks)

- d) Discuss any four costing methods. (6 marks)

QUESTION TWO

- a) The manufacture of Product Zed involves three processes 1,2 and 3. In the month of January 2018. 8000 units valued at Sh. 25 were introduced to process 1. Costs and output of the three processes were as follows.

Cost element	Process 1	Process 2	Process 3
Direct material	60,000	80,000	40,000
Direct Labour	150,000	120,000	80,000
Direct expenses	25,000	6,000	-
Overheads	26,000	24,000	20,000
Output (units)	7,360	6,630	5960
Normal loss	8%	10%	10%

Required

Prepare Process Accounts. (10 marks)

b) The following information relates to Jua Ltd. for the year ended 31 December 2017.

Production	30,000 units
Sales	22,500 units
Production costs	Sh.
Direct material	1,800,000
Direct labour	900,000
Overheads	
Production- (fixed)	750,000
Production (variable)	600,000
<u>Selling and administration costs.</u>	
Sales commission	150,000
Advertising	200,000
Delivery van expenses	360,000
Selling price	200

Required

Prepare a cost statement using Absorption technique.

(10 marks)

QUESTION THREE

a) A preparatory School has five classes of 30 pupils each. The School plans to take students for a trip to a Zoo. A private transport operator has come forward to lease out the buses. Each bus has a capacity of 52 seats. The school allocates two teachers on each bus. The teachers are paid an allowance of sh. 500. The following are the other estimates.

	Sh.
Breakfast per pupil	20
Lunch	80
Tea 10	
Entrance to the Zoo	100

Other costs

Rent per Bus	Sh. 3000
Special permit per Bus	Sh. 1,200
Entrance to the 200 per Bus	Sh. 1,500
Drivers allowance per Bus	Sh. 300

Required

Prepare flexible budgets for one class and for the whole School, and advise management whether to take one class per weekend, or to take the whole school in one weekend. (10 marks)

- b) Discuss five limitations of Cost Accounting. (10 marks)

QUESTION FOUR

- a) Highlight FOUR steps involved in standard costing in a firm (4 marks)
- b) Explain FOUR advantages derived from adopting a system of standard costing. (8 marks)
- c) Discuss FOUR ways of classifying Costs. (8 marks)