



# **MURANGA UNIVERSITY COLLEGE**

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

## **SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT : COMMERCE**

**MAINCAMPUS**

**UNIVERSITY EXAMINATIONS**

**YEAR 1 FIRST SEMESTER JAN – MAY 2016**

**PROGRAMME: CERTIFICATE IN BUSINESS MANAGEMENT**

**EXAMINATION: ORDINARY**

**UNIT CODE: CIB 105**

**UNIT NAME: COST ACCOUNTING**

**DATE: 18<sup>TH</sup> APRIL 2016**

**TIME: 2 HOURS**

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**INSTRUCTIONS TO CANDIDATES**

Question **ONE (1)** is **Compulsory** and any other **TWO**

## QUESTION ONE

- (a) Describe **FIVE** function of cost accounting. [5 marks]
- (b) Explain **FIVE** ways in which management of a manufacturing company applies costing knowledge in decision making. [5 marks]
- (c) Differentiate between the following terms as used in cost accounting
- (i) Cost unit and cost centre
  - (ii) Fixed costs and variable costs
  - (iii) Direct and indirect costs
  - (iv) Product and period costs [4 marks]
- (d) A company XYZ buys 125 boxes quarterly at sh 125 per box. Ordering cost is sh 250 per order while inventory carrying cost is estimated at 20% of unit value per annum

### Required

- (i) Economic order quantity
  - (ii) Number of orders per annum.`` [5 marks]
- (a) Explain **SIX** effects of high labour turnover. [3 marks]
- (b) GZ accountant provides for product Q

Selling price = sh 8 per unit  
Variable cost = sh.5 per unit  
Fixed cost = sh 45 000  
Sales current = 25 000 units

### Required

- (i) Breakeven point units and shillings.
- (ii) Margin of safety [5 marks]
- (iii) Discuss **THREE** advantages of budgeting. [3 marks]

**[Total 30 marks]**

## QUESTION TWO

Tala stores deals in sugar storage and sales. In the month of March 2005 they provide you with the following receipts and issues of sugar in bags

March 20015

March 2 Received 500 bags @ sh 2000

3 Received 300 bags

[10 marks]

10 issued 400 units

15 issued 200 units

20 received 600 units @ sh 25 each

25 issued 300 units

27 received 200 units @ sh 26 each

30 issued 100 units

(b) Describe differences between financial and cost accounting.

[10 marks]

**[Total 20 marks]**

## QUESTION THREE

from the following information belonging to Maguna manufacturers prepare a cost sheet and

Raw materials bought	Sh 2400	office overhead	sh 1600
Work overhead	20000	sales	60 000
Opening stock Jan 1	4000	Advertising	40 000
Finished goods	3200		
Working in progress Jan 1	960		
Dec 3	3200		

[10marks]

(b) Explain advantages and disadvantages of profit sharing method in labour costing

[10 arks]

**(Total 20 marks)**

## QUESTION FOUR

(a) AB it manufacture to types of products A and B for 2008 budgeted sales were as follows

Product	Quality	Price
A	3 000	80
B	7 000	70

Stocks for these product were as under

Product	Opening stock	Closing stock
A	2000 units	1500 units
B	1,800 units	2500 units

**Required**

Prepare (i) Sales budget

(ii) Production budget [10 marks]

(b) Discuss advantages accruing to a firm which installs standard costing method.  
(10 marks)

**[Total 20 marks]**