**END OF SEMESTER EXAMINATIONS (August, 2022)**
**BCOB/BCOM/BPSM/BSF/BSA**
**SUBJECT: COST ACCOUNTING**

**Instructions:**
1. Time allowed is **TWO** hours
2. Answer question **ONE** and any other **TWO** questions
3. Show all your working notes

**QUESTION ONE**

**a)** Explain briefly the concept of cost behaviour. **(6 marks)**

b) The following figures are related to Doongarpoor Mills Limited at a production of 5, 000 units (50% of capacity).

| | Ksh. |
|---|---|
| Direct material | 10, 000 |
| Direct wages | 30, 000 |
| Direct expenses | 5, 000 |
| Factory overhead: | |
| Fixed | 20, 000 |
| Variable | 25, 000 |
| Administration overhead (all fixed) | 20, 000 |
| Selling and administration overhead: | |
| Fixed | 15, 000 |
| Variable | 10, 000 |

**Required:**

Prepare flexible budget at 60%, 70% and 80% level of activity by the use of tabular and equation methods. **(12 marks)**

**c)** Discuss the advantages of activity based costing approach. **(6 marks)**

**d)** Discuss the five useful features of cost accounting information. **(6 marks)**

**(Total: 30 marks)**

**QUESTION TWO**

a) From the following particulars, prepare a statement of cost showing: (A) the value of material consumed; (B) prime cost; (C) works cost; (D) cost of production; (E) the production cost of goods sold; (F) the profit on goods sold; (G) the net profit for the month:-

| | Ksh. |
|---|---|
| Stock in hand on 1st June 2020: | |
| Raw materials | 50, 000 |
| Work-in – progress | 16, 440 |
| Finished goods | 34, 720 |
| Stock in hand on 30th June 2020: | |
| Raw materials | 52, 500 |
| Work-in – progress | 18, 200 |
| Finished goods | 31, 500 |
| Purchase of raw materials | 43, 800 |
| Sales of finished goods | 144, 620 |
| Direct wages | 34, 300 |
| Non- productive wages | 1, 660 |
| Works overheads | 16, 680 |
| Office and administrative overheads | 6, 320 |
| Selling and distribution overheads | 8, 420 |

**(12 marks)**

b) Explain the advantages and limitations of budgetary control in manufacturing organizations. **(8 marks)**

**(Total: 20 marks)**

## QUESTION THREE

a) You are furnished with the following data:

| | |
|---|---|
| Production | : 5, 500 |
| Sales | : 5, 000 units at Ksh3.00 per unit |
| Manufacturing cost: | |
| Fixed | Ksh2, 200 |
| Variable | Ksh2.00 per unit |
| Selling and distribution cost: | Ksh1, 400 of which Ksh400 is variable. |

Required:

Prepare i) Income statement under absorption costing. **(6 marks)**

**ii)** Income statement under marginal costing. **(6 marks)**

**iii)** Causes of difference between the two profits. **(2 marks)**

b)

A transport service company is running 4 buses between two towns which are 50 kilometers apart. Seating capacity of each bus is 40 passengers. The following particulars were obtained from their books for the month of April, 2017.

| | Ksh. |
|---|---|
| Diesel and other oils | 4, 000 |
| Wages of drivers & conductors paid by running basis | 2, 400 |
| Salaries of office staff | 1, 000 |
| Repairs and maintenance | 800 |
| Taxation and insurance | 1, 600 |
| Depreciation | 2, 600 |
| Interest and other charges | 2, 000 |

Actual passengers carried were 75% of the seating capacity. All four buses ran on all the days of the month. Each bus made one round trip per day.

**Required:**

Calculate the cost per passenger kilometer. **(8 marks)**

**(Total: 20 marks)**

## QUESTION FOUR

a) The following data are in respect of R limited.

| | |
|---|---|
| Sales (8, 000units) | 80,000 |
| Less: Total Variable Cost | 64, 000 |
| Contribution | 16, 000 |
| Less: Total Fixed Cost | 24, 000 |
| Loss | 8, 000 |

You are required to calculate:

**i)** Profit volume ratio (PVR) and BEP in Ksh. **(2 marks)**
**ii)** Units to earn a profit of Ksh6, 000. **(2 marks)**
**iii)** Selling price if BEP is to reduce by 2, 000 units. **(2 marks)**
iv) Number of units to earn a profit of Ksh9, 000 after tax, if the corporate tax rate is 55%. **(4 marks)**

b) The factory overhead costs of four production departments of a company engaged in executing job orders, for an accounting year, are as follows:

| | Ksh |
|---|---|
| A | 19, 300 |

| | |
|---|---|
| B | 4,200 |
| C | 4, 000 |
| D | 2, 000 |

Overheads has been applied as under:-

Department A: Ksh1.50 per machine hour for 14, 000 hours.
Department B: Ksh1.30 per direct labour hours for 3, 000 hours.
Department C: 80% of direct labour cost of Ksh6, 000.
Department D: Ksh2. 00 per piece for 950 pieces.

i) Find out the amount of department wise under or over absorbed factory overheads. **(7 marks)**

**ii)** What are methods that could be considered for disposal of the resultant under or over absorbed factory overheads? **(3 marks)**

**(Total: 20 marks)**

**QUESTION FIVE**

a) From the following data show the cost of three processes of manufacture. The production of each process is passed on to the next process immediately.

| | Process A | Process B | Process C |
|---|---|---|---|
| | Ksh. | Ksh. | Ksh. |
| Materials | 25, 000 | 4, 200 | 8, 500 |
| Wage | 15, 000 | 4, 000 | 4, 000 |
| Works overheads | 10, 000 | 2, 200 | 2, 000 |
| | Units | Units | Units |
| Production in units | 12, 500 | 12, 000 | 18, 000 |
| Stock (units from proceeding process) on 1st July 2016 | - | 500 | 8, 000 |
| Stock (units from proceeding process) on 31st July 2016 | - | 600 | 1, 300 |

**(10 marks)**

b) You are furnished with the following data.

| RM | Q | Ksh. | RM | Q | Ksh. |
|---|---|---|---|---|---|
| A | 40 kg. | 4 | A | 50 kg. | 5 |
| B | 60 kg. | 5 | B | 70 kg. | 6 |
| Input | 100 kg. | | | 120 kg. | |
| Standard Loss | 20 kg. | | Actual output | | |
| Output | 80 | | (AY) = 90 | | |

**Required:**

Calculate the following Material Cost Variance, Material Usage Variance, Material Mix Variance and Material Yield Variance. **(10 marks)**

**(Total: 20 marks)**

**END**