The Co-operative University College of Kenya

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

END OF SEMESTER EXAMINATIONS APRIL - 2015

EXAMINATIONS FOR BACHELOR OF COMMERCE – DISTANCE LEARNING

UNIT CODE: HCOB 2203

UNIT TITLE: COST ACCOUNTING

DATE: TIME:

INSTRUCTIONS:
Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

a) Distinguish between the following costing terms
   i. Direct expenses and indirect expenses (5 Marks)
   ii. Marginal costing and absorption costing (5 Marks)
   iii. Operating budgets and financial budgets (5 Marks)

b) Explain the relevant costs involved in decision making (5 Marks)

c) The following information was extracted from the accounts of Koru Ltd for the year ending 31st December, 2014

Stocks	Opening	Closing
	Shs	Shs
Raw materials	90,000	130,000
Work in progress	44,000	38,000

	Shs
Purchase of raw materials	1,340,000
Carriage inwards	50,000
Returns of raw materials	30,000
Direct wages	560,000
Factory: Rent	120,000
Power	96,000
Depreciation	70,000
Salaries (Supervisors)	110,000
Office: Salaries	140,000
Expenses	24,000

Depreciation	10,000
Sales: Salaries	136,000
Advertisement	24,000
Delivery van expenses	54,000
Depreciation (Delivery vans)	36,000

Required:

Prepare cost statements to show: -

i) Prime costs (4 Marks)
ii) Production cost (3 Marks)
iii) Total cost of sales (3 Marks)

QUESTION TWO

a) A factory department has provided the following data for the month of august, 2014

Budgeted overheads	Shs 400,000
Actual overheads	Shs 401,000
Budgeted direct labour hours	40,000
Actual direct labour hours	42,000

Required:

i) Overhead over or under absorbed (6 Marks)

b) Western enterprises has an annual production capacity of 300,000 units and normal capacity is reclaimed at 90% standard variable costs were Shs 18 per unit and fixed production costs amounted to Shs 540,000 p.a. variable selling costs were Shs 4.50 per unit, while fixed selling costs were Shs 405.000. the company sold 225,000 units at Shs 30 per unit in the year just ended.

Required:-

Prepare operating statements using

i. Absorption costing (7 Marks)
ii. Marginal costing (7 Marks)

QUESTION THREE

a) Distinguish between interlocking accounts and integral accounts (5 Marks)
b) The following details are available for two products, A and B produced by Hardy Ltd.

	A	B
Per Unit	Shs	Shs
Direct materials	10	8
Direct labour	6	6
Variable production OHDA	4	2
	20	16
Selling price	30	24

Direct labour hours per unit	4	2
Sales demand (units)	500	500

Required:

Determine the profit maximizing product mix (10 Marks)

c) The Supersales Ltd produces and sells a single product. The selling price is Shs 60 and contribution margin is 40%. Fixed costs are Shs 360,000 per month

Required:-

i) Variable costs per unit (1 Mark)

ii) BEP(in units) (2 Marks)

iii) Sales required to achieve a profit of Shs 60,000 (2 Marks)

QUESTION FOUR

a) Highlight FIVE (5) features contract costing (5 Marks)

b) Kamulu manufacturers Ltd produces two products namely Q and P. types of materials (X and Y) are used in the manufacture of these products. The following information is provided by the company for year 2013: -

- Budgeted Sales

Product	Quantity	Price (Shs)
Q	18,000	65
P	20,000	80

- Material Used

Material	X	Y
Unit cost	Shs 6	Shs 3

- Quantity Used (Kg/Unit)

Q	3	6
P	5	4

- Finished goods stock (Units)

Product	Opening	Closing
Q	3,000	1,500
P	2,000	2,500

- Materials (Kg)

X	5,000	6,000
Y	4,000	3,000

Required: -

Prepare the following budgets

i) Production budget (units) (4 Marks)

ii) Material usage budget (4 Marks)

iii) Material purchases budget (Kgs and Shs) (7 Marks)

QUESTION FIVE

a) Distinguish between Normal and abnormal process losses (4 Marks)

b) Mamba Ltd produces a single product whose Standard cost per unit is as follows: -

	Shs
Direct materials (4 Kgs at Shs 12	48
Direct labour (3 Hours at Shs 10)	30
Variable production overhead (3 Hours at Shs 6)	18
	96

During the month of July 2014, 12,000 units were produced and the following cost incurred:

Material purchases: 55,000 Kgs at Shs 11 per Kg.

Direct labour (36,800 hours): Total cost Shs 360,000

Variable production overhead: Shs 202,000

Raw material stock: Opening stocks (6,000) and closing stocks (12,200 Kgs)

Required: -

i) Material cost variances (6 Marks)

ii) Labour cost variances (6 Marks)

iii) Variable cost variance (4 Marks)