The Co-operative University College of Kenya

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

END OF SEMESTER EXAMINATION APRIL-2015

EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT (DIS MAY 2014)

UNIT TITLE: COST ACCOUNTING 11 FINAL

DATE: APRIL, 2015 **TIME: 9.00 A.M. – 11. 00 A.M.**

INSTRUCTIONS:

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

QUESTION ONE

(a) List FOUR advantages of budgeting (4 marks)

(b) Outline FOUR purposes of standard costing (4 marks)

(c) The material standard for one unit of product "K21" is 4kgs at sh. per kg. 11 kgs. were used at a cost of sh.3, 520,000 and 12, 000 units were produced. calculate:-

i. Material price variance (3 marks)

ii. Material usage variance (3 marks)

(d) State FOUR causes of labour efficiency variance. (4 marks)

(e) The cost of making component A-12 is given as follows

	Shs.
Material	2,000
Labour	1,200
Production overhead	1,000

40% of production overhead is variable overhead. The component could be bought at sh.3, 200 from an outside supplier

Required:

Advise whether to make or buy this component. (4 marks)

(f) Outline FOUR assumptions of break even chart (4 marks)

(g) List FOUR functional budgets that could be found in an organization. (4 marks)

QUESTION TWO

(a) The following information was extracted from the books of Asanta Company Ltd for the quarter ending 31st March 2013.

	Shs.
November 2012	80, 000
December 2012	90, 000
January 2012	75, 000
February 2013	75, 000
March 2013	80, 000

Analysis of records show that debtors settle according to the following pattern

60% within the month of sale

25% the month following

15% the month following

Extracts from the purchases budget were as follows

	Shs.
December 2012	60, 000
January 2012	55, 000
January 2012	45, 000
March 2013	55, 000

All purchases are on credit and past experience show that 90% are settled in the month of purchase and the balance settled the month after.

Additional information

i. Wages are sh.15, 000 per month
ii. Over heads are sh.20, 000 per month which includes sh.5, 000 for depreciation
iii. Taxation of sh.8, 000 will be settled in February
iv. The company will receive settlement of an insurance claim of sh.25, 000 in March

Required:

Prepare a cash budget for January to March 2013. (15 marks)

(b) State FIVE advantages of standard costing. (5 marks)

QUESTION THREE

(a) A company has budgeted to produce 2,750 articles within 22, 000 hours variable over heads were estimated at sh.55, 000. The company's production during the period was 2, 700 articles in 21, 500 hours and variables overheads amounted to sh.58, 000

Required:

i. Variable over head cost variance (4 marks)
ii. Variable over head expenditure variance (4 marks)
iii. Variable over head efficiency variance (4 marks)

(b) Explain FOUR factors which affect the stock levels. (8 marks)

QUESTION FOUR

(a) Double two manufacturers two products A and B. The company uses two materials X and Y in the manufactures of the products. The following information is relevant for the year 2013

Budgeted sales:

Product quantity (units)	Selling price per unit (sh.)
A	40
B	30

Material usage

	X	Y
Unit cost (shs.)	5	8
Quantities (Units)	A: 5	3
	B: 4	2
Closing Stocks		
A		10, 000 UNITS
B		600 UNITS

There were no opening stocks

Required:

i. Sales budget (4 marks)
ii. Production budget (6 marks)
iii. Material usage budget (6 marks)
iv. Material purchases budget (4 marks)

QUESTION FIVE

The following information was provided by Njuri Ncheke Ltd for the year ended 31st December 2012.

	Shs.
Direct material	36, 000, 000
Direct labour	900, 000
Production overheads	210, 000
Sales salaries	225,000
Sales commission	150, 000
Advertisement	240, 000
Other fixed costs	360, 000

Additional information

i. 40% of the production overheads is variable
ii. Sales were 24, 000 units, production 30, 000 units
iii. Selling price per unit was sh.500
iv. There were no opening stocks

Required:

Prepare operating statement on the basis of

i. Absorption costing (10 marks)
ii. Marginal costing (10 marks)