



**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**  
**(DCM JAN 2015)**

**UNIT TITLE: COST ACCOUNTING**

**DATE: 27<sup>TH</sup> APRIL, 2015**

**TIME: 9.00 A.M. – 11. 00 A.M.**

**INSTRUCTIONS:**

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

**QUESTION ONE**

- (a) Discuss FIVE factors that may be considered in setting stock levels. (5 marks)
- (b) Using a diagram in each case, explain the FIVE main classifications of costs. (10 marks)
- (c) State FIVE purposes of cost accounting. (5 marks)
- (d) Outline the elements of cost. (3 marks)
- (e) Differentiate between Batch costing, job costing and special order costing. (6 marks)
- (f) Define the term budgetary control. (1 mark)

**QUESTION TWO**

The following information relates to materials movement from BCE stores for the month of May 2012

Date	Receipts / units	Issues / units	Unit cost (sh.)
3	2400		9
4		3200	
6	2600		18
12		2700	
14	3000		21
18	2800		23
20		2200	
22	2600		22
25		3800	
26	3100		26
27	2500		24
28	3200		25
29		6900	

The closing balance for April 2012 was a batch of 400 units received at a unit price of sh.20

**Required:**

- (a) Prepare stores perpetual inventory record for BCE stores under LIFO and FIFO system of stores issues (16 marks)
- (b) Prepare and calculate closing stock valuation. (4 mark)

**QUESTION THREE**

The following information is available from a manufacturing company

	Shs.
Total overhead	600,000
Total direct wages	480,000
Total direct material cost	500,000
Direct machine hours	50,000
Unit of output	750,000
Direct labour hours	75,000

**Required:**

Calculate FIVE overload absorption rates using the information provide. (20 marks)

**QUESTION FOUR**

- (a) Outline FIVE limitations of the economic order quantity (EOQ) model. (5 marks)
- (b) Distinguish between overload absorption and overload apportionment. (4 marks)
- (c) B limited orders material in lots of 500 units, this being the monthly national consumption. The cost of the material per unit is sh.8 while ordering costs amount to sh.12 per order. on average the carrying cost is estimated to be 20% of the cost of average inventory.

**Required:**

- i. The economic order quantity. (3 marks)
- ii. The cost savings per year. If the EOQ is ordered. (4 marks)
- (d) Explain the relationship cost accounting financial accounting and management accounting. (4 marks)

**QUESTION FIVE**

K limited has three production departments and two service departments. The following is their budgeted factory overheads for the year ended 30<sup>th</sup> November 2009.

	Ksh.	Ksh.
Production Departments	12, 000	
A	10, 500	
B	7, 500	30, 000
C		
Service departments		
X	3, 500	
Y	4, 500	<u>8, 000</u>
		<u>38, 000</u>

The service departments' costs are to be reapportioned as the following percentages

	A	B	C	X	Y
X	20%	30%	30%	-	20%
Y	30%	30%	30%	10%	-

**Required:**

Reapportion the service department cost to the production departments and show overheads using

- i. Direct allocation method. (10 marks)
- ii. Step or \*\*\*\*\* method. (10 marks)