



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION NOVEMBER-2019

EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT
(YR II SEM II)

UNIT CODE: COCM 1210

UNIT TITLE: COST ACCOUNTING II

DATE: 28TH NOVEMBER, 2019

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

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

QUESTION ONE

a) The following are the inventory activity of company XYZ.

- Jan 1. Received 1000 units @ \$1 per unit
- Jan 10. Received 260 units @ \$1.05 per unit
- Jan 20. 700 units
- Feb 4. Received 400 units @ \$1.15 per unit
- Feb 21. Received 300 units @ \$1.25 per unit
- March 16th. Issued 620 units
- April 20th. Issued 240 units
- May 10th. Received 500 @ \$1.10 per unit
- May 25th. Issued 380 units

Required:

Draw the XYZ stock ledger card and calculate the value of closing stock using **FIFO** and

Weighted Average Method: (15 marks)

- b) Differentiate between marginal and absorption costing. (4 marks)
- c) From the following figures, **show the cost of three processes of manufacture**. The production of each process is passed on to the next process immediately after completion.

	Process A	Process B	Process C
Wages and Materials	30400	12000	29250
Works Overhead	3600	5250	6000
Production in Units	36000	37500	48000
Stock on 1 July 2012 (units from preceeding process)		4000	16500
Stock on 31 July 2012 (units from preceeding process)		1000	5500

Required: Prepare Process Accounts (11marks)

QUESTION TWO

The following standards have been set to manufacture a product:

Direct materials:

- 2 units of A @ sh. 4 per unit.
- 3 units of B @ sh.3 per unit.
- 15 units of C @ sh. 1 per unit
- Direct labor 3 hours @ sh. 8 per hour.
- Standard prime cost sh. 56

The company manufactured and sold 6000 units of the product during the year.

Direct material costs were as follows:

- 12500 units of A @ sh. 4.40 per unit.
- 18000 units of B @ sh. 2.80 per unit.
- 88500 units of C @ sh. 1.20 per unit.

The company worked for 17500 direct labor hours during the year. For 2500 hours the company paid sh. 12 per hour while for the remaining, the wages were paid at the standard rate.

- a) Calculate:
- i. Material price and usage variances (8 marks)
 - ii. Labor rate and efficiency variances (8 marks)
- b) Differentiate between standard costing and variance analysis (4marks)

QUESTION THREE

The production manager of ABC ltd is concerned about the apparent fluctuation in the efficiency and wants to determine how labor costs (in sh.) are related to volume. The following data presents results of the 12 most recent weeks.

Week No.	Units produced	Labor Costs
1	34	340
2	44	346
3	24	287
4	36	262
5	30	220
6	49	416
7	39	337
8	21	180
9	41	376
10	47	295
11	34	215
12	24	27

Required:

- a) Estimate the cost function using regression analysis method (7 marks)
- b) Assume that the company intends to produce 3200 units, determine the cost (4 marks)
- c) Determine how many units can be produced at a total cost of sh. 370000 (3 marks)

QUESTION FOUR

A firm is to decide between two mutually exclusive products. The following data is provided.

Sales in Units	Probabilities	
	Product 1	Product 2
50000	0.1	0.2
75000	0.2	0.3
100000	0.3	0.2
125000	0.3	0.1
150000	0.1	0.1
225000		0.1

- a) The data is extracted from the past records and this trend is expected to persist in future if price (variable and fixed) are the same for the two products. Advise the management on the product to produce. (10 marks)
- b) Describe the limitations of budgeting in cost accounting. (5 marks)
- c) Give FIVE useful features of cost accounting information (5 marks)

QUESTION FIVE

The following figures relates to XYZ limited for the year ending 31st Dec 2018.

Fixed factory overhead	sh. 400000
Fixed selling and distribution overheads	sh. 200000
Variable cost per unit	sh. 12
Selling price per unit	sh. 20

Required: calculate the following:

- a) BEP in units (4 marks)
- b) Units to be sold to earn a target income of sh. 5000 per month during the year (4 marks)
- c) Number of units needed to earn a net income of 25% on cost (4 marks)
- d) Selling price per unit if BEP is to be brought down by 15000 units (4 marks)
- e) Selling price to earn a profit of 20% on sales by selling only 500000 units (4 marks)