

THE CO-OPERATIVE UNIVERSITY OF KENYA

END OF SEMESTER EXAMINATION-DEC, 2019

COURSE UNIT: COST ACCOUNTING

COURSE CODE: CMBA 1103

INSTRUCTIONS: Answer question One (Compulsory) and any other Two

QUESTION ONE

- a) Compare and Contrast Cost Accounting from Financial Accounting (4mks)
- b) Discuss the behavioral classification of costs, explaining all the terms there-in(6mks)
- c) The following cost information was provided for the year ended 31stdec, 2018 by XYZ manufacturers LTD

	sh''000''			sh''000''
Direct material	57,000		Factory managers salary wages	2,000
Direct wages	28500		Office salaries	1600
Factory rent and rates	2,500		Directors remuneration	1500
Office rent and rates	500		Telephone and postage	200
Plant repairs and maintenance	1,000		Printing and stationery	200
Plant depreciation	1250		Legal charges	150
Factory heating and lighting	400		Advertisement	1500
Show room rent	500		Salesmen's salaries	2500
			Sales	116,000

Required

Prepare a cost sheet to show the following components; prime cost, factory, cost of production and total cost(10mks)

d)Freyjose LTD makes and sells ice cream .The following information is available for the month of june,2019:

	Sh
Direct material cost	240000
Direct labour cost	140000
Variable production overhead	90000
Fixed production overheads	70000
Variable distribution and administrative overheads	45000
Fixed distribution and administrative overheads	50000

Additional information

- i. The selling price per ice cream is sh 65
- ii. Production and sales volume for the month were 10,000 and 8000 units respectively
- iii. There were no opening stocks

Required

Prepare income statements for the month of June, 2019, based on both Marginal costing and Absorption costing methods (12mks)

QUESTION TWO

a)The following information related to Happy Ltd which manufactures single period

Selling price unit	sh110
Variable cost per unit	sh 70

Required

- a. Contracts account
- b. Contractees account
- c. Value-of W.I.P(8mks)

QUESTION THREE

- a) Discuss any FOUR features of Job Order Costing (4mks)
- b) The following data relates to Wema Ltd

Standard

Raw Material	Quantity	Price per each
A	40kg	ksh.4
B	60kg	ksh.5
Input	100kg	
Output	80 units	

Actual

Raw Material	Quantity	Price per each
A	50kg	ksh.5
B	70kg	ksh.6
Input	120kg	
Output	100kg	

Required

Calculate the following

- i. Material Variance (4mks)

- ii. Material per Variance (4mks)
- iii. Material usage Variance (2mks)

c) A Company produces products X and Y operates in two countries C and D. The sales quantities of the 2 products are as shown.

Product	Country C	Country D
X	20000	16000
Y	12000	5000

The selling price is shs.100 and shs.200 for X and Y respectively

Required

Prepare a sales budget assuming that no changes will occur in the two markets affecting the products (4mks)

d) Differentiate between ideal standards and basic standards (2mks)

QUESTION FOUR

a) Differentiate between a budget and budgetary control (2mks)

b) Explain any FIVE functions of budgets (5mks)

c) Define zero based budgets and explain how they are prepared (5mks)

d) You are provided with the following information for Mkulima Ltd on budgeted figures and actual results for the period ending 30/06/2017

Particulars	Budget	Income Statement
Sales (units)	2000	1800
Direct Labor	8000	7560
Direct materials (kgs)	5000	4320

Variable Overheads (ksh)	85000	90000
Fixed Overheads (ksh)	80000	76000

Additional information

The standard selling price is 240 per unit while the input costs are as follows

Direct Labor per hour shs.15

Direct material per kilogram is shs.5

Required

Prepare a flexible budget and a reconciliation statement for the company as at 30/06/2017(8mks)

QUESTION FIVE

a) Briefly explain the advantages of standard costing (5mks)

b) The cost of making component ABC is given as follows:

Material	100
Labour	60
Production overhead	<u>50</u>
Total	210

40% of the production overhead is variable. This component could be bought at shs160 from an outside supplier

Required

Advise whether to make or buy this component (10mks)

c) Enumerate FIVE elements of process cost (5mks)

THE CO-OPERATIVE UNIVERSITY OF KENYA
SUPPLEMENTARY/SPECIAL EXAMINATION-DEC, 2019
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INSTRUCTIONS: Answer question One (Compulsory) and any other Two

QUESTION ONE

a)The following information is available from the books of Ondieki manufacturing company Ltd

	shs
Stock on 1 st January,2018	50,000
Raw materials	76,000
W.I.P	84,000
Stock on 31 st Dec,2018	
Raw materials	60,000
W.I.P	64,000
Completed products	90,000
Purchase of raw materials	560,000
Carriage inwards	14,000
Return of raw materials	26,000
Direct wages	160,000
Salaries(40% factory,30% office,30% sales)	120,000

Rent(30% factory,30% office,40% warehouse)	80,000
Factory power	30,000
Factory expenses	40,000
Administrative expenses	24,000
Selling and distribution expenses	36,000
Sales	1,300,000

Required

Prepare a production cost statement(10mks)

Prepare a profit statement(7mks)

c) Differentiate Marginal costing from absorption/full costing (2mks)

d) The following information related to XYZ Ltd which manufactures a single product

Selling price per unit shs.90

Variable Cost per unit shs.50

Total Fixed cost shs.2000000

Required

- i. Compute break-even point in units and shillings (6mks)
- ii. Find the Margin of Safety if the company expects to sell 6000 units (2mks)
- iii. Suppose the corporate tax rate is 30% and the company has a target profit of ksh 1,540,000 after tax. Determine the number of units to be sold (5mks)

QUESTION TWO

a) Based on performance, you have been provided with the following information regarding Makombo Ltd for the year ended 31/12/2018

Activity Level	Service Costs (ksh)
300	150000
400	155000
350	153000
600	192000
310	145000
800	200000

Required

- i. determine the business field and variable costs for its manufacturing overheads and thus write down the equation in the form $y=a+bx$ (12mks)
- ii. assume the company intends to produce 1200 units next season, estimate the cost to meet this level(4mks)

b) Smatika Ltd makes a product, Swali, which has a variable production cost of Ksh.6 (production, administration, sales and distribution). There were no variable marketing costs.

Fixed costs per annum amount to ksh 45000

Assuming a 20,000 splashes production and a selling price of Sh10; calculate the contribution and profit using marginal costing principles, if sales were as follows:(8mks)

- a) 10000
- b) 15000
- c) 20,000

QUESTION THREE

- a) State any FOUR assumptions of Cost-Volume Profit (CVP) analysis (4mks)
- b) Mkulima Ltd has sales of ksh 750000 and the total variable costs of sh 450000. Assuming the company sold 250000 units during theyear, per unit sale is sh3 and the total variable cost per unit is sh.1.80calculate;
- i. the contribution margin(3mks)
 - ii. contribution margin ratio(3mks)
 - iii. Assuming that Jumado Inc. has a fixed cost of sh 300,000,calculate the net income(2mks)
- c) Explain the purpose of transfer pricing (2mks)
- d) Explain the advantages of standard costing (3mks)
- e) Differentiate between the following types of standards
- i. Basic standards(1mk)
 - ii. Ideal standards(1mk)
 - iii. Expected standards(1mk)

QUESTION FOUR

- a) State and explain FIVE purposes of cost accounting (5mks)
- b)XYZ Company manufactured one product, swafi.The following costs relate to a financial year when 50000 units of swafi are made.

Direct materials sh175000

Direct labour sh115000

Indirect labour sh155000

Investigations into the cost behavior of the costs have revealed that;

- Direct materials behave as variable costs
- Direct labour behaves as variable costs
- Of the Indirect costs,sh130000 behaves as fixed costs, and the remainder as variable costs

Required

- Calculate the cost of one unit of swafi using marginal costing(5mks)
- If each unit of swafi sells for sh10 and all production of 50000 units is sold, calculate the profit for the year using marginal costing statement. Show the contribution per unit and the total contribution (10mks)

QUESTION FIVE

a) State and explain **FOUR** objectives of budgetary planning (4mks)

b)Bidii Manufacturing Company produces tubes for motorcycles. The following information was provided for in the year 2017.

Production 20000 tubes

Sales 15000 tubes

Production Costs shs 000

Direct Materials 2,400

Direct Labor 600

Variable Overheads 500

Fixed Overheads 900

Selling and Administrative Costs

Sales Commission 250

General Expenses 160

Fixed Overheads 240

The selling price for each tube is ksh.300

Required

- i. Income Statement for the year 2017 on Marginal Costing basis(8mks)
- ii. Income Statement for the year 2017 using full costing method (8mks)