



**The Co-operative University of Kenya**  
**SUPPLEMENTARY / SPECIAL EXAMINATION AUGUST-2019**

**EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT**

**UNIT CODE: COCM 1201**

**UNIT TITLE: COST ACCOUNTING I**

**DATE: 26<sup>TH</sup> AUGUST, 2019**

**TIME: 9:00 AM – 11:00 AM**

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**INSTRUCTIONS:**

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

**QUESTION ONE**

- a) Define the following terms as used in Cost Accounting.
- i. Cost units
  - ii. Cost centre
  - iii. Profit centre
  - iv. Cost Benefit Analysis
  - v. Cost Behavior
- (10 marks)
- b) Using appropriate examples discuss the classification of cost according to Function.
- (10 marks)
- c) Briefly discuss five (5) assumptions of Economic Order quantity (EOQ)
- (10 marks)

**QUESTION TWO**

- a) State and explain four principles of Coding
- (8 marks)
- b) The following information is provided from XYZ Ltd
- Maximum consumption = 6,000 units per week  
Minimum Consumption = 4,000 units per week  
Re-order period of lead time = 4 – 6 weeks  
Re-order quantity = 30,000 units
- Required to calculate
- i. Re-order level
  - ii. Minimum stock level
  - iii. Maximum Stock level
  - iv. Average Stock level
- (3 marks)  
(3 marks)  
(3 marks)  
(3 marks)

**QUESTION THREE**

In the manufacture of product Q, 2000kg of material at shs.5 per kg were supplied to process labour costs amounted to kshs.3, 000 and productions overheads of kshs.2, 300 were incurred. The normal loss has been estimated at 10%. The actual production was 1750kg.

- a) Prepare the process account and calculate cost per unit.
- (12 marks)

b) The following information was extracted from the stores ledger of XYZ limited.

Using FIFO, prepare a stores ledger card and show the value of closing stock on 30<sup>th</sup> November, 2018

May 2, Received 500 units at shs.20 each  
 May 8, Received 300 units at shs.22 each  
 May 10, Issued 400 units  
 May 15, issued 200 units  
 May 20, Received 600 units at sh 25 each  
 May 25, Issued 300 units  
 May 27, Received 200 units at shs.26 each  
 May 30, Issued 100 units

Standard price for each units for the month of May is shs.24. Market price of this material on June 3, is shs.27 per unit and 400 units were purchased on that day.

**QUESTION FOUR**

The following information related to the unit manufacturing costs of product XYZ by Mogeni Enterprises.

	Shs.
Selling Price	
Cost of Sales	100
Variable cost	65
Fixed Costs	<u>20</u> 85
Gross profit	15
Selling and administrative costs	10
Net profit	5

The company budgets for fixed production costs of shs.3, 600,000 and selling and administrative costs of shs.750,000 per annum. These costs are incurred evenly during the year. During the latest financial year, the following results were achieved.

	First 6 months	Second 6 months
Production (units)	75,000	60,000
Sales (units)	50,000	70,000

There were no opening stocks at the beginning of the year. Fixed production costs and selling and administrative costs incurred during the year were equal to the budget.

**Required**

Prepare trading, profit and loss statements for each of the two six month periods using each of the following methods:

- a) Absorption costing (10 marks)
- b) Marginal Costing (10 marks)

**QUESTION FIVE**

- a) An ideal system is that which the anticipated benefits in helping achieve management goals exceed the cost. In light of this, discuss the purpose of costing system. (10 marks)
- b) Discuss the behaviour classification of costs, explaining all the terms there-in. (10 marks)