



The Co-operative University of Kenya

END OF SEMESTER EXAMINATIONS DECEMBER-2019

EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE BUSINESS/ COMMERCE/BFI

(YR IV SEM II)

UNIT CODE: HCOB 2113/BCOM 2202/CMFI 2201

UNIT TITLE: COST ACCOUNTING

DATE: 9th DECEMBER 2019

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

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

QUESTION ONE

- (a) Explain briefly the concept of cost behavior. (6 Marks)
(b) You are furnished with the following data.

Table with 7 columns: Standard (RM, Quantity, Ksh.), Actuals (RM, Quantity, Ksh.), Input, Standard Loss, Output, and Actual Output (AY) = 90.

Required;

Calculate; Material cost variance, Material price variance, Materials usage variance and Material yield variance. (8 Marks)

- (c) ABC Manufacturing Company provides the following information for the month of January 2018.

Table listing financial items and their values in Ksh., including Raw materials, Work-in-progress, Stocks, Purchases, Carriage, Returns, Direct wages, Factory rent, Power, Depreciation, Salaries, and Delivery van expenses.

Depreciation of delivery vans	18,000
Advertisement	12,000

Required;

Prepare a statement of cost showing;

- (i) Prime cost
- (ii) Cost of production
- (iii) Total cost of sales. (10 Marks)
- (iv) Highlight SIX useful features of cost accounting information. (6 Marks)

QUESTION TWO

- (a) Mewar Bonnanja Ltd. Wishes to arrange overdraft facilities with its bankers during the period April to June of a particular year, when it will be manufacturing most of its stock. Prepare a cash budget for the period from the following data, indicating the extent as the bank facilities for the company requirement at the end of each month.

(i)

Month	Sales Ksh.	Purchases Ksh.	Wages kshs
February	180,000	124,800	12,000
March	192,000	144,000	14,000
April	108,000	243,000	11,000
May	174,000	246,000	10,000
June	126,000	268,000	15,000

- (ii) 50% of the credit sales are realized in the month following the sales and the remaining sales in the second month following the sale. The creditors are paid after one month of purchase.
 - (iii) Cash at bank on 1st April was estimated to be kshs 25,000. (12 Marks)
- (b) XYZ Company Limited uses three types of raw materials, A, B, and C in respect of which the following data are available.

Raw materials	Usage per unit of Product kg.	Re-order Quantity kg	Delivery period in weeks	Reorder level kg.	Minimum level kg.
A	5	10,000	1 to 3	6,000	-
B	2	5,000	3 to 5	4,000	-
C	3	10,000	2 to 4	-	900

Weekly production varies from 175 to 225 units. What would you expect the quantities of the following to be:

- (i) Minimum stock of A
- (ii) Maximum stock of B
- (iii) Reorder level of C
- (iv) Average level of B (8 Marks)

QUESTION THREE

(a) You are furnished with the following data;

Production	5,500
Sales	5,000 units at kshs 3.00 per unit
Manufacturing cost	
Fixed	Kshs 2,200
Variable	Kshs 2.00 per unit
Selling and distribution cost.	Kshs 1,400 of which kshs 400 is variable

Required;

Prepare;

- (i) Income statement under absorption costing. (4 Marks)
 - (ii) Income statement under marginal costing (4 Marks)
 - (iii) Causes of difference between the two profits. (4 Marks)
- (b) Briefly explain the purpose of variance analysis in any organization. (8 Marks)

QUESTION FOUR

(a) From the following information relating to Quick Ltd. You are required to find out;

- (i) Contribution
- (ii) Break-even-point in units
- (iii) Margin of safety
- (iv) Profit
- (v) Break-even-ratio.

Total fixed cost	kshs 4,500
Total variable cost	kshs 7,500
Total sales	kshs 15,000
Units sold	5,000

Also calculate the volume of sales to earn a profit of ksh 6,000. (10 Marks)

Discuss the advantages of budgeting control in any business concern. (10 Marks)

QUESTION FIVE

(a) CTM Company Limited manufactures a chemical which passes through three processes known as X, Y and Z. the product of three processes are dealt with as follows;

	X	Y	Z
Sent to warehouse for sale	30%	60%	100%
Passed on to the next process	70%	40%	-

The following other particulars relates to the month of June 2017.

	X	Y	Z
Material used (Tons)	2,000	400	200
Cost of material per ton (ksh)	120	200	80
Manufacturing expenses (ksh)	60,000	70,000	30,000

Required;

Prepare process accounts.

(10 Marks)

(b) A transport service company is running 4 buses between two towns which are 50 kms apart. Seating capacity of each bus is 40 passengers. The following particulars were obtained from their books for April, 2018

	Ksh.
Wages of driver	2,400
Salaries of office staff	1,000
Diesel oil	10,800
Repairs and Maintenance	5,400
Tax and insurances	2,000
Depreciation	9,000
Interest and other charges	1,800

Actual passengers carried were 75% of seating capacity. All the four buses ran on all the days of the month. Each bus made one round trip per day. Find out the cost per passenger kilometer.

(10 Marks)