



**The Co-operative University of Kenya**  
**END OF SEMESTER EXAMINATIONS AUGUST-2018**

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

**UNIT CODE: COCM 1210**

**UNIT TITLE: COST ACCOUNTING 11**

**DATE: 22<sup>ND</sup> AUGUST, 2018**

**TIME: 9:00 AM – 11:00 AM**

**INSTRUCTIONS:**

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

**QUESTION ONE:**

- a) Briefly explain any FIVE (5) purposes of cost accounting (5 Marks)
- b) Mbukulu 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
Direct Materials	2,400,000
Direct Labour	600,000
Variable overheads	500,000
Fixed Overheads	900,000

Selling and Administration Costs	
Sales Commission	250,000
General Expenses	160,000
Fixed Overheads	240,000

The Selling price for each tube is ksh 300

Required:

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

c) The operation account of ABC Ltd is the production of 100,000 cups to meet the market demand. The following cost data was extracted from the accounting department.

Details	Nature		Amount
Material Cost	Variable		400,000
Labour Cost	Variable	150000	
Administration Cost	20% Variable		250,000
Insurance Expenses	Fixed		50,000
Depreciation	Fixed		100,000
Selling & Distribution	60% variable		250,000
Branding & Packaging	25% variable		400,000

Maintenance

50% Variable

300,000

Required:

- i. Using the inspection of Accounts method, estimate the cost function in the form of  $y=a +bx$  (7 Marks)
- ii. Assume that the company intends to produce 150000 cups next season, estimate the cost to meet this level. (2 Marks)

### QUESTION TWO

- a) Define the following:
- i. Cost Centre (2 Marks)
  - ii. Cost unit (2 Marks)
  - iii. Relevant cost (2 Marks)
  - iv. Opportunity cost (2 Marks)
- b) Costs can be classified on the basis of behavior. Clearly classify cost according to the behavior using relevant diagrams. (8 Marks)
- c) State any FOUR assumptions of Cost Volume Profit analysis (CVP) (4 Marks)

### QUESTION THREE

- a) State any Four assumptions of Economic Order Quantity (EOQ) (4 Marks)
- b) Mipango Ltd buys and sells product Q4. It values its stock on the basis of Last in – First Out (LIFO) At the opening of the period, the stock in hand consisted of 4500 units which were acquired at ksh.50 per unit. The operation for the month of January was as follows.

Rate	Purchases		Sales	
	Quantity	Cost	Quantity	Selling Price
1 <sup>st</sup> Jan	5000	40	-	-
4 <sup>th</sup> Jan	-	-	6000	60
5 <sup>th</sup> Jan	5500	49	-	-
7 <sup>th</sup> Jan	4000	50	-	-
11 <sup>th</sup> Jan	-	-	700	61
12 <sup>th</sup> Jan	5000	50	-	-
13 <sup>th</sup> Jan	6000	47	-	-
18 <sup>th</sup> Jan	-	-	7000	62
19 <sup>th</sup> Jan	-	-	8000	64
20 <sup>th</sup> Jan	6000	49.50	-	-
21 Jan	-	-	5000	65
22 <sup>nd</sup> Jan	7000	50	-	-
23 <sup>rd</sup> Jan	6000	49	-	-
24 <sup>th</sup> Jan	2000	47	500	60
25 <sup>th</sup> Jan	-	-	500	64
26 <sup>th</sup> Jan	-	-	14000	

The company incurred operating cost of ksh 457000

Required

- i. Stores ledger card (12 Marks)
- ii. Value of the closing stock (2 Marks)

- b) Explain the following terms:

- i. Abnormal loss (2 Marks)
- ii. Norma Loss (2 Marks)
- iii. Normal gain (2 Marks)

**QUESTION FOUR**

a) The following information relates to Matunda 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 (6 Marks)
  - ii. Find the margin of safety if this company expects to sell 6000 units (2 Marks)
  - 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 (5Marks)
- b)i. Differentiate between a budget and a budgetary control (2 Marks)
- ii.)Explain any five functions of budgets (5 Marks)

**QUESTION FIVE**

a) Discuss any five features of job order costing (5Marks)

b) The following data relates to Straight Well manufacturers Ltd.

Standard

Raw Material	Quantity	Price per each
A	40Kg	Ksh 4
B	60Kg	Ksh 5
Input	100 Kg	
Output	80 Units	

Actual

Raw Material	Quantity	Price Per each
A	50 Kg	Ksh 5
B	70 Kg	Ksh 6
Input	120 Kg	
Output	100 Units	

Required:

Calculate the following

- i. Material Variance (3 Marks)
- ii. Material Price Variance (3 Marks)
- iii. Material Usage Variance (3 Marks)

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

Product	Country C	Country D
X	20000	16000
Y	12000	15000

The selling price is Ksh 100 and Ksh 200 for X and Y respectively. Prepare a sales budget assuming that no changes will occur in the two markets affecting the products (4 Marks)

- ii) Differentiate between Ideal standards and basic standards (2 Marks)