The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER -2018

EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE BUSINESS / BACHELOR OF COMMERCE
(YR I SEM II)

UNIT CODE: BENT 2202

UNIT TITLE: COST ACCOUNTING

DATE: 17TH DECEMBER, 2018 **TIME: 9:00 AM – 11:00 AM**

INSTRUCTIONS:

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

QUESTION ONE

(a) Explain any FIVE objectives of Cost Accounting. (5 Marks)
(b) Explain how costs may be classified. (10 Marks)
(c) The following data relates to Kimili Ltd for the year ended 30th June 2017;

	OPENING STOCK	CLOSING STOCK
Raw Material	10,000	8,000
Work in progress	5,000	4,000
Finished goods	6,000	10,000
Purchase of raw material		50,000
Carriage inwards		5,000
Direct wages		28,500
Plant: Rent rates and electricity		1900
Depreciation, maintenance		2250
Manager's salary		2000
Office: rent and rates		950
Salaries and remuneration		2600
Sundry expenses		500
Advertisement and salesmen salaries		4000
Carriage outwards		500

Required;
Prepare cost statements in good form to show;
Production cost (8 Marks)
Profit for the period (7 Marks)

QUESTION TWO

(a) Distinguish between absorption costing and marginal costing. (6 Marks)
(b) The following information relates to Orio ltds product for the month of June 2016.

Selling price	sh 16 per unit
Direct material	shs 5 per unit
Direct labour	shs 3 per unit

Factory overheads

Variable	shs 2 per unit

Fixed	shs 3 per unit	
Administrative expenses were		
Variable selling expenses		2000
Distribution expenses		3000

Additional Information;
Production 20000 units
Sales 15,000 units
There were no opening stocks
Required prepare operating statement using;
1. Absorption costing (7 Marks)
2. Marginal costing (7 Marks)

QUESTION THREE

(a) Distinguish between the following terms used in cost accounting and state the importance'

1. Product cost and period cost (2 Marks)
2. Controllable and uncontrollable cost (2 Marks)
3. Sunk cost and opportunity cost (2 Marks)
4. Relevant cost and irrelevant cost (2 Marks)

(b) The following information is given for material Y – 20

CONSUMATION

Annual	360,000 units
Maximum	1200 units per day
Minimum	800 units per day
Reorder period	12 -24 days
Reorder quantity	32,000 units

Required;
1. Reorder level (4 Marks)
2. Minimum stock level (3 Marks)
3. Maximum stock level (3 Marks)

(c) Tuskys supermarket Nakuru on an annual basis it orders 480,000 pens from a distributor based in Nairob. A packet of 24 pens delivered to Tuskys warehouse costs 480 including transport cost. The supermarket borrows money from Eco Bank at an interest rate of 10% per annum to finance its inventory. The supermarket also incurs shs. 15000 to place an order for the pens and shs 8 carrying cost for each pen.

Required;
1. Economic order quanity (EOQ) FOR THE PEN (3 Marks)
2. Total cost at the economic order quantity (3 Marks)

QUESTION FOUR

(a) Distinguish between the following process costing terms.
1. Normal loss and Abnormal loss (3 Marks)
2. Joint product and By product (3 Marks)

(b) 3000 UNITS OF MATERIAL ARE INPUT TO PROCESS A. Process costs are as follows;

Material shs. 117,000

Labour	shs 43,000
Overhead	shs 20,000

Output is 2000 units and normal loss is 20%
Required;
Process A account

QUESTION FIVE

(a) The following information has been supplied to you with cost and revenue forecasts and details of payment as follows:

1. Forecast of revenue and costs for the quarter ending 31 March 2018.

	JANUARY SHS.	**FEBRUARY SHS.**	**MARCH SHS.**
Direct			
Materials (purchases)	112,000	100,000	135,000
Wages	90,000	80,000	100,000
Overhead			
Production	34,000	32,000	40,000
Administration	22,000	20,000	27,000
Selling and distribution	13,000	11,000	18,000
Sales	360,000	350,000	440,000

Forecast of revenue and costs for the quarter ending 30 June 2018.

	APRIL SH.	**MAY SH.**	**JUNE SH.**
Direct			
Materials (purchases)	90,000	67,000	79,000
Wages	72,000	54,000	63,000
Overhead			
Production	45,000	36,000	40,000
Administration	22,000	25,000	27,000
Selling and distribution	13,000	11,000	16,000
Sales	350,000	360,000	360,000

Cash balance on 1st April 2018.
Other details

- Period of credit allowed by suppliers averages two months.
- Debenture to the value of shs. 125,000 are being issued in May 2018 and the amount is expected to be received during the month.
- A new machine is being installed at the end of March 2018 at a cost of sh. 150,000 and payment is promised in early May 2018.
- Sales commission of 3% is payable within one month of sales
- A dividend of sh. 100,000 is to be paid in June 2018.
- There is a delay of one month in the payment of overheads. There is also a delay in payment of wages averaging a quarter of a month.
- Twenty per cent of the debtors pay cash, receiving a cash discount of 4% and 70% of debtors pay within one month and receive a cash discount of 2 ½ %. The other debtors pay within two months.

Required;

A cash budget on monthly basis from the second quarter of the Year 2018.