The Co-operative University College of Kenya

(A Constituent College of Jomo Kenyatta University of Agriculture & Technology)

END OF SEMESTER EXAMINATION APRIL-2015

EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT (DCM JAN 2015)

UNIT TITLE: COST ACCOUNTING 11

DATE: 27TH APRIL, 2015 **TIME: 9.00 A.M. – 11. 00 A.M.**

INSTRUCTIONS:

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

QUESTION ONE

(a) Highlight the factors to consider when forecasting sales. (5 marks)

(b) Explain the advantages of standard costing (5 marks)

(c) Explain the purpose of transfer pricing. (5 marks)

(d) Differentiate between joint and by product giving relevant examples. (5 marks)

(e) ABC Ltd manufactures product Q and have provided with the following information

	Sh.
Selling price per unit	10
Variable costs per unit	2
Fixed cost of operation per month	50, 000

Required:

i. Calculate the B.E.P in units and in sales (2 marks)

ii. Compute the profit of sales increase by 20% above the B.E.P. (3 marks)

iii. Compute the profit of sales promotion of sh.5, 000 is incurred and a result sales in units increases by 50% above B.E point. (5 marks)

QUESTION TWO

The following information gives levels of output against the cost

Unit of output	Costs
24	2, 000
27	2, 200
30	2, 400
33	2, 450
36	2, 500

Required:

Using least square method, distinguish between fixed and variable costs. (20 marks)

QUESTION THREE

A manufacturing company produces tyres for motor vehicle in 2013, 100, 000 tyres were produced but only 90, 000 of them were sold. There was no opening or closing stock of W.I.P

	Shs.
Material	28, 000, 000
Labour	8, 000, 000

Production overhead 10, 000, 000

NB: 60% of production overhead is fixed. The average selling price for each tyre was sh.600. The selling and distribution expenses for the year amounted to sh.3, 000, 000 for which sh.1, 200, 000 were fixed

Required:

i. profit and loss statement on marginal basis
ii. BEP in unit and in sales
iii. Suppose the economy intended to make a profit of sh.6, 300, 000 then find out the level of output in units. (20 marks)

QUESTION FOUR

(a) Highlight the usefulness of cost volume profit chart. (10 marks)

(b) Express co. ltd manufactures a product P which they sell for sh.25 per unit. The current output is 20, 000 units per month which represent 100% of the capacity they received an order of 2, 000 units which they can produce by working extra time during the month. The sale of this order is sh.48, 000. The total cost for the last month was sh.420, 000 which include fixed costs of sh.70, 000. I f this special order of 2, 000 units is received then the variable cost per unit will increase by 20% but the fixed cost will remain unchanged.

Required:

Advice the company either to accept or reject the order using relevant computation.

(10 marks)

QUESTION FIVE

(a) Differentiate between the following types of standards

i. Basic standards (4 marks)
ii. Ideal standards (3 marks)
iii. Expected standards (3 marks)

(b) The following information shows the information in relation to product X

	Shs
Budgeted fixed costs	70, 000
Budgeted sales	280, 000 (28, 000 units @ 10 shs.)
Budgeted variable costs	140, 000
Actual sales	19, 000 units

Required:

Use break even analysis to determine the breakeven point in sales and in units. (10 marks)