SCHOOL OF PROFESSIONAL STUDIES

BACHELOR OF BUSINESS ADMINISTRATION/BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

UNIT CODE/NAME: BBA 208/BBIT 126: COST ACCOUNTING

January – April 2018/2019 End Semester Exam - Time: 2 Hours

Instructions: Answer Question ONE (Compulsory) and any other TWO questions.

QUESTION ONE

a) The accounting system in any organization is the major quantitative information system. It provides information for three broad purposes. State and explain the three purposes **(3 marks)**

b) Differentiate Zero based and Activity based budgeting **(4 marks)**

c) Fill in the cost table below as volume changes **(2 marks)**

Cost Type	Total cost	Average cost per unit
Variable cost	_____	_____
Fixed cost	_____	_____

d) State and explain the three major elements in the cost of manufactured product **(6 marks)**

e) BBA Ltd makes a single product with a sales price of shs 100 and a variable cost of shs 60. The fixed costs are shs 600 000 per year

Required

i) The number of units to break even **(3 marks)**

ii) Sales value at breakeven point **(1 mark)**

iii) What number of units need to be sold to achieve a profit of shs 200 000 per year **(3 marks)**

iv) What level of sales will achieve a profit of shs 200 000 per year **(1 mark)**

v) If the taxation rate is 30% how many units need to be sold to make a profit after tax of shs 200 000 per year **(3 marks)**

vi) Because of increasing costs, the variable cost is expected to rise to Shs 65 per unit and fixed costs to Shs 700 000 per year. If the selling price cannot be increased, what will be the number of units required to maintain a profit of shs 200 000 per year. ignore taxation **(4 marks)**

QUESTION TWO

a) Explain five advantages of standard costing. **(5 marks)**

b) Roasters Limited is a coffee-blending firm. It produces a special blend of coffee known as "Utopia Blend" by mixing two grades of coffee "AB" and "QP" as follows:

Material	**Standard mix ratio**	**price per Kg (Shs.)**
AB	40%	120
QP	60%	100

A standard loss of 15% is expected. During the month of March 2017, the company produced 2,500 kg of "Utopia Blend". The actual quantities blended were as follows:

Material	**Quantity used (Kg)**	**Cost (Shs.)**
AB	1,400	175,000
QP	1,600	152,000

Required:

Calculate the following variances

i) Material price variance **(2 marks)**

ii) Material usage variance **(2 marks)**

iii) Material mix variance **(4 marks)**

iv) Material cost variance **(2 marks)**

There was no opening stock.

Required:

Using both absorption and marginal costing methods determine

(i) Cost per unit **(4 marks)**

(ii) Prepare the income statement for both methods **(9 marks)**

QUESTION FIVE

(a) Define standard costing **(1 marks)**

(b) Explain variance analysis **(2 marks)**

(c) Discuss the advantages of standard costing **(5 marks)**

(d) Explain the functions of Budgeting **(5 marks)**

(e) Discuss any two limitations of budgets **(2 marks)**