



SCHOOL OF PROFESSIONAL STUDIES

BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

UNIT CODE: BBIT 126, UNIT NAME: COST ACCOUNTING

September – December 2018/2019 End Semester Exam - Time: 2 Hours

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

QUESTION ONE

(30 MARKS)

- a) Describe the duties of a cost accountant in an organization. (3 marks)
- b) Differentiate the following terminologies:
 - (i) Relevant costs and irrelevant costs (2 marks)
 - (ii) Cost center and cost unit. (2 marks)
 - (iii) Semi-fixed and semi variable costs. (2 marks)
 - (iv) Sunk costs and product costs (2 marks)
- c) Briefly explain the factors that should be taken into account consideration when designing incentive schemes (2 marks)
- d) Zawadi Ltd. is a small scale company which manufactures a range of plastic commodities. In order to manufacture a lunch box, the following five manual processes are required:

Process	Time required per lunch box (minutes)	Wage rate per hour (Sh.)
1	15	65
2	25	50
3	10	40
4	30	35
5	20	30

The weekly production target is 7,200 lunch boxes packed in cartons containing twelve lunch boxes. The company's working week has 40 hours.

Required: Number of casual workers required for each of the processes. (5 marks)

e) In the context of process costing, define:

- i. Normal loss
- ii. Abnormal loss
- iii. Joint products
- iv. By-products.

(4 marks)

f) A summarized income statement of XYZ Ltd for the year ended 31 December 2008 is given below:

	<u>Sh</u>
Sales 8,000 units @shs50 per unit	400,000
Variable cost	<u>280,000</u>
Contribution margin	120,000
Fixed cost	<u>150,000</u>
Net profit/loss	<u>30,000</u>

Required:

- i) BEP in units (2 marks)
- ii) BEP in revenue. (3 marks)
- iii) Assume that the managers of XYZ Co Ltd expects sales of Sh 800, 000 in the year 2008 without any change in its BEP.

Required: Compute the margin of safety

(3 marks)

SECTION B

QUESTION TWO

(15 MARKS)

China Wu yi Construction Company acquired a contract for the construction of a dual carriage way from Nairobi to Machakos at cost of 200 million. The data relating to the contract for year ended 31st December 2017 was as follows.

	Sh '000'
Material issued to site	80000
Material purchase locally	15700
Direct wages paid	15800
Direct wages accrued	350
Plant purchased and installed	48800
Direct expenses paid	1780
Direct expenses accrued	70
Electricity charges	180
Materials returned to store	850
Work certified	150000
Cost of work not certified	3800
Material in site at 31/12/17	5330
Value of plant on 31/12/17	41500

The company had received from the client payment amounting to 126 million.

Required:

- i. Contract account (8 marks)
- ii. Contractee account (4 marks)
- iii. Balance sheets extract showing work in progress. (3 marks)

QUESTION THREE**(15 MARKS)**

The data below relates to the estimates of activities of Gemini limited for the month of November 2002

Sales:

Product	quantity	Price
Alfa	1 000	1 000
Beta	2 000	1 200
Ceta	1 500	1 400

Material cost:

Material:	M1	M2	M3
Unit cost	shs 40	shs 60	shs 90

Material Usage

	M1	M2	M3
Product:			
Alfa	4	2	-
Beta	3	3	2
Ceta	2	1	1

Stock:**Finished goods**

	Alfa	Beta	Ceta
1 st Nov	1 000	1 500	500
30 th Nov	1 100	1 650	550

Raw materials

	M1	M2	M3
1 st Nov	26 000 units	20 000 units	12 000 units
30 th Nov	31 200 units	24 000 units	14 400 units

Required:

- a) Sales budget (3marks)
- b) Production budget (3 marks)
- c) Material usage in quantities budget (4 marks)
- d) Material purchase in quantity and value. (5 marks)

QUESTION FOUR**(15 Marks)**

The following information was extracted from Top Conman LTD for the month of August 2012

Aug 1 stock was 50 units worth 10500

Aug 2 received 500units @kshs.200 each

Aug 8 received 300 units @kshs.220 each

Aug 10 issued 400 units

15 issued 200 units

20th received 600 units @kshs.250 each

25th issued 300units

27th received 200units @Kshs.260 each

30th issued 100 units

Required

The closing stock under the-FIFO method (15 marks)

QUESTION FIVE**(15 Marks)**

Zee ltd produces tubes for motorcycles. The following data relates to the ended 31st December 2001.

Production 20,000 tubes

Sales 15,000 tubes

Production costs shs (000)

Direct materials 24,000

Direct labour	6,000
Variable overheads	5,000
Fixed overheads	9,000

Selling and distribution

Sales commission	2,500
General expenses	1,600
Fixed overheads	2,400

The company sells each tube at shs 2,995

Required

- i) Income statement for the ended 31st December 2001 on the basis of
- ii) Absorption costing method
- iii) Marginal costing method
- iv) Reconcile the differences in profits if any
