

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS**

**RESIT/SPECIAL EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE**

**BBAM/BCOM 212: COST ACCOUNTING**

**STREAMS:**

**TIME: 2 HOURS**

**DAY/DATE: WEDNESDAY 03/02/2021**

**11.30 A.M – 1.30 P.M**

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**INSTRUCTIONS:**

**Answer question one and any other two questions**

**QUESTION ONE (30 MAR-KS)**

- (a) Explain five objectives of management accounting in an organization. [5 marks]
- (b) ABC company produces and sells one product “Q” whose selling price per unit is kshs.25 and variable cost per unit is kshs. 20. The total fixed costs for the period is kshs. 10,000  
Required:
- (i) Determine the breakeven point in units and in shillings. [4 marks]
- (ii) How many units of products “Q” will have to be sold to earn an after tax profit of kshs 4900, assuming a corporate tax rate of 30%? [3 marks]
- (c) The following direct costs were incurred from job number J415 of radio Maisha Company

	Ksh.
Direct materials	6010
Wages Dept A	60 hours @ 30/= per hour
Dept B	40 hours @ 20/= per hour

Dept C            20 hour @ 50/= per hour

Overheads of these three departments were estimated as follows

	Variable overheads	Costs (sh)	Labour hours
Dept A	Sh. 15000	1500	
Dept B	Sh. 4000	200	
Dept C	Sh. 12000	300	

Fixed overheads were estimated at sh. 40,000 for 2000 normal working hours.

**Required:**

Calculate the cost of Job no. J415 and the price to give a profit of 25% of the selling. [7 marks]

- (d) Explain the benefits of budgeting in an organization. [5 marks]
- (e) The standard quantity of materials for producing 1 unit of product “P” is 5 kgs. The standard price is kshs. 6 per kg. during a particular period, 500 units were produced. Actual material consumed was 2700 kgs at a cost of kshs. 5 per kg.

**Required:**

- (i) Material price variance. [2 marks]
- (ii) Material usage variance [2 marks]
- (iii) (iii) Total material cost variance [2 marks]

**QUESTION TWO**

- (a) State any four assumptions of break-even analysis. [4 marks]
- (b) Give reasons why marginal costing is more suitable for managerial decision making as compared to absorption costing. [4 marks]
- (c) The total cost and output volumes of a manufacturing company in the first 6 months of the year are as follows:

Month	Jan	Feb	March	April	May	June
Output “000” units	5	7	6	5	8	6
Total cost kshs. “000”	146	152	148	142	164	152

**Required:**

- (i) Estimate the cost function using high-low method. [4 marks]

- (ii) Estimate the cost function using regression analysis method. [8 marks]

**QUESTION THREE**

- (a) A company expects the following activity levels in May 2018

Sales	7000 units
Production	8500 units

There is no opening stock on 1<sup>st</sup> May 2018. Fixed overhead costs are based on normal capacity of 9600 units.

The budgeted unit selling price and total cost are as follows:

Kshs. per unit	
Selling price	45
Direct material	11
Direct labour	8
Production overhead (kshs. 3 variable)	7
Selling and administrative overhead (50% fixed)	10

**Required:**

- (i) Calculate the marginal production cost per unit and absorption production cost per unit of the product. [2 marks]
- (ii) Prepare comparative income statements using marginal costing and absorption costing techniques. [12 marks]
- (b) Explain the following standards
- (i) Ideal standards [2 marks]
- (ii) Current standards [2 marks]
- (iii) Basic standards [2 marks]

**QUESTION FOUR**

- (a) Distinguish between the following cost terminologies
- (i) Direct costs and indirect costs [2 marks]
  - (ii) Cost unit and unit cost [2 marks]
  - (iii) Implicit cost and explicit cost [2 marks]
  - (iv) Product cost and period cost [2 marks]
- (b) Differentiate between job costing and process costing. [4 marks]
- (c) Fifty units are introduced into a process at a cost of kshs. 1 per unit. The total additional expenditure incurred by the process is kshs. 30 of the units introduced, 10% are normally spoiled in the course of manufacture. The spoiled units possess a scrap value of kshs. 0.25 per unit. Owing to an accident, only 40 units were produced.

**Required:**

- (i) Prepare a process account. [6 marks]
  - (ii) Prepare abnormal loss account. [ 4marks]
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