



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FOURTH YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF BUSINESS AND INFORMATION
TECHNOLOGY

SPECIAL EXAMINATION

Date: 8th December, 2022
Time: 2.30pm –4.30pm

KBA 2408 - COST ACCOUNTING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Differentiate between cost Accounting and Financial Accounting. **(5 Marks)**
- b) “In practice there is no cost that can be described as entirely and always variable or fixed” Comment on the above statement. **(4 marks)**
- c) The material standard for one unit of product X is 2 tons at Shs150 per ton. 11000 units were used at a cost of Shs1760000 and 6000 units were produced. Calculate material cost variances. **(6 marks)**
- d) Differentiate between a cost unit, a cost centre and a profit centre. **(4 marks)**
- e) The following information is given in relation to the operations of Kirungii Enterprises Ltd
- Selling price per unit Shs100
 - Variable cost per unit Shs50.
 - Fixed costs Shs600000

Required

- i) A break-even chart. **(4 marks)**
- ii) A contribution/sales graph. **(3marks)**
- iii) Show the margin of safety in these charts if actual level of output is 20000 unit **(4 marks)**

QUESTION TWO (20 MARKS)

Yang Yu Ltd was awarded a contract to tarmac a road from Kahawa to Mwihoko on 1/7/2016 and was to be completed by mid-2018. The following information was extracted from the accounting records of the company as at 30/06/2017.

	Sh.
Materials – issued from store	5,500,000
– by a supplier to the site	14,200,000
Labour	10,100,000
Sub-contracting fee	4,501,000
Plant and machinery bought on 1/7/2016	6,000,000
Tools & consumables	126,000
Head office expense – apportioned	1,184,000

On 30/6/2017 materials at site were valued at sh. 2,100,300. On the same day outstanding wages were sh. 350,000 and subcontract work sh. 25,000. The company received sh. 36,000,000 from the contractee which represents work certified as at 30/6/2017 after deducting 15% retention money. It is estimated that work costing sh.360, 000 is not covered by the certificate. The plant and machinery specifically purchased for the project is to be depreciated at 20% straight line with no residual value. The company only takes 2/3 of the profits on the work certified to its revenue account.

Required

Prepare a contract account as at 30/6/2017, work in progress account and relevant balance sheet extracts.
(20 marks)

QUESTION THREE (20 MARKS)

- a) Describe the methods of separating the semi-variable costs into the fixed and the variable elements.
(5 marks)
- b) Differentiate between terminal costing and process costing.
(5 marks)
- c) Explain the term localized purchasing and highlight the disadvantages associated with it.
(10 marks)

QUESTION FOUR (20 MARKS)

- a) Differentiate between the three concepts cost absorption, cost allocation and cost apportionment.
(6 marks).
- b) Distinguish between managerial accounting and financial accounting.
(5marks)
- c) Distinguish between linier and non-linier variable costs.
(4 marks)
- d) Highlight the importance of forecasting in budgeting.
(5 marks)

QUESTION FIVE (20 MARKS)

- a) Differentiate between budgeting and budgetary control. **(4 marks)**
- b) Explain the concept of a key factor in budgeting? **(3 marks)**
- c) Explain the concept of the break-even point. **(3 marks)**
- d) From the following prepare a cost sheet highlighting prime costs, production costs and total costs.
(State any assumptions you make in your decision). Figures are in '000
- | | |
|------------------------------------|------|
| • Administrative expenses | 600 |
| • Materials used in produced goods | 220 |
| • Depreciation: office equipment | 5 |
| ▪ Production machinery | 29 |
| ▪ Sales Delivery van | 18 |
| ▪ Show rooms | 6 |
| • Direct labour costs | 1550 |
| • Indirect factory expenses | 170 |
| • Wages for truck driver | 300 |
| • Salesmen's salaries | 100 |
| • Administrative salaries | 400 |
| • Production staff salaries | 30 |
| • Goods delivery expenses | 50 |
- (10 marks)**