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**KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR**  
**FIRST YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE DIPLOMA IN BUSINESS & INFORMATION TECHNOLOGY**  
**DAC 1502 COST ACCOUNTING**

Date: 12<sup>TH</sup> AUGUST 2024  
Time: 2:30PM – 4:30PM

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

- i) A farmer has set-up a coffee factory in Kimatuni, Kenya and apparently lacks adequate business and cost insights. Explain to the farmer your understanding of cost accounting **(2 Marks)**
- ii) Differentiate direct labour cost from indirect labour cost **(4 Marks)**
- iii) Measured day work is used as the bases of remuneration where weekly wages are paid according to efficiency band as follows.

Efficiency band (%)	Weekly wage
71 – 80	105
81 – 90	120
91 – 100	135
101 – 110	150
111 – 120	165

The output achieved by a worker during a four week period is as follows.

Week	Output in unit
1	880
2	960
3	780
4	1090

1000 units is equal to 100% efficiency

- You are required to calculate total pay of the worker **(6 Marks)**
- iv) What is Overhead Absorption? **(2 Marks)**
- v) Explain the term ``Variance Analysis`` **(2 Marks)**
- vi) The material standard for one unit of product Z is 3 kg at shs 5 per k.g. 14,000kg were used at a cost of Shs 84,000 and 4,000 units were produced. You are required to calculate the material cost variances. **(4 Marks)**
- vii) You are required to state to a business whether the following costs are Fixed, Variable or Mixed Costs:
- a) Electricity Bill cost of Kes 10,000 **(2 Marks)**
- b) Water Bill Cost of Kes 5,000 **(2 Marks)**

- c) Premises rent based on written agreement of Kes 50,000 (2 Marks)
- d) A labour contract with a monthly pay of Kshs 100,000/= but with additional Kes 50/= for every kg of coffee cherries harvested in a coffee estate (2 Marks)
- e) Cost of timber pieces used in a carpentry workshop –Kshs 200,000/= (2 Marks)

### **QUESTION TWO (20 MARKS)**

- a) A Board of a fast growing food company in Nanyuki has requested you to make a presentation in their meeting over two accounting disciplines. Distinguish Cost Accounting from Financial Accounting as an advance strategy for the meeting (8 Marks)
- b) Outline purposes of cost accounting in a manufacturing company (3 Marks)
- c) You are provided with the following data:  
 Annual demand 4000kg  
 Cost per unit sh 2  
 Cost per order sh 50  
 Holding cost 20% of cost per unit  
 You are required to calculate Economic Order Quantity (EOQ) (4 Marks)
- d) Explain advantages of standard costs (5 Marks)

### **QUESTION THREE (20 MARKS)**

- a) The following information is provided for operations that took place in May 2024:  
 Jan 1: Purchased 10 units @ sh10/=  
 Jan 3: Purchased 12 units @ sh11/=  
 Jan 5: Issued 20 units  
 Jan 8: Purchased 15 units @ sh12/=  
 Jan 9: Issued 10 units  
 Jan 13: Purchased 20 units @ sh11/=  
 Jan 17: Issued 8 units  
 Jan 19: Issued 9 units  
 Jan 21: Purchased 16 units @ sh13/=  
 Jan 25: Purchased 10 units @ sh12/=  
 Jan 28: Issued 16 units.  
 Jan 30: Purchased 12 units @ sh13/=  
 Jan 31: Issued 8 units.

*Required:* Using FIFO compute the value of issues and closing stock at 31<sup>st</sup> August through preparation of a store ledger card. (15 Marks)

- b) The material standard for one unit of product „Y“ is 2 tons at Shs 150 per ton. 11000 tons were used at a cost of shs. 1,760,000 and 6000 units were produced. You are required to calculate material cost variances (5 Marks)

### **QUESTION FOUR (20 MARKS)**

- a) Kisumu Industries Ltd produces Manna, Chomaa, Ndizi, Lindi as products which occupy floor areas of 200 sq ft, 500 sq ft, 600 sq ft and 700 sq feet respectively. A cleaning company is paid Kshs 100,000 monthly for sweeping and maintaining all the floors for the products. You are required to compute amounts of cleaning costs absorbed by:
  - i) Manna (2 Marks)
  - ii) Chomaa (2 Marks)
  - iii) Ndizi (2 Marks)
  - iv) Lindi (2 Marks)

- b) Explain purposes of overhead Costs Analysis in a firm **(7 Marks)**
- c) The production manager of Marofu Products Ltd has informed you that there are 500 half complete drums in terms of material and expenses. More so, there are already 1000 fully complete drums in the store. The cost of the whole production process todate is Kshs 12,500/= .

**Required :**

- i) Determine the Equivalent Units for the half completed drums **(1 Mark)**
- ii) Establish total units todate for costing process purposes **(1 Mark)**
- iii) Calculate the cost per drum **(3 Marks)**

**QUESTION FIVE (20 MARKS)**

- a) The Cost Accountant of Northlands Dairies Ltd has presented the total budgeted cost up 31<sup>st</sup> December 2023 is as follows:

Direct materials	8000
Direct labour	4000 (1600hr @ £2.5)
Production O.H	18000

You are required to calculate the production overhead absorbed by job ABC where details are:

	Sh	
Direct material	10	
Direct labour	100	<b>(6 Marks)</b>

- b) A small manufacturing factory in Ruiru town has planned for a count of its inventory. You are required to outline six factors to consider when planning for a Periodic Stock Taking **(6 Marks)**
- c) Outline examples of costing systems **(3 Marks)**
- d) A consultant within Kahawa Group Ltd has emphasised in a meeting that Absorption is charging of overheads to cost units. You required to list various methods used in absorption of costs **(5 Marks)**