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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 CERTIFICATE IN PROCUREMENT & SUPPLY CHAIN
MANAGEMENT
CPS 025 ELEMENTS OF COSTING

Date: 8TH August, 2024
Time: 2.30PM-4.30PM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

a) The following information is provided:

Normal consumption	300 units per week
Maximum consumption	450 units per week
Minimum consumption	150 units per week
Re-order period	4 – 6 weeks
Re-order quantity	2,400 units

Required:

- i. Re-order level. (3 Marks)
 - ii. Minimum stock level. (3 Marks)
 - iii. Maximum Stock level. (3 Marks)
 - iv. Average stock (2 Marks)
- b) Discuss 4 elements of process costing (8 Marks)
 - c) Explain 4 types of standards costing (8 Marks)
 - d) State 3 Limitation of Cost Accounting (3 Marks)

QUESTION TWO (20 MARKS)

- a) An employee is paid rate sh. 1000 per hour. Normal time is 40 hrs per week but employee worked for 45 hours. Calculate total pay per week if overtime is paid at 50% more than normal rate. (4 Marks)
- b) Highlight the actions to be taken to reduce labour turnover (4 Marks)

- c) The following figures have been extracted from the records of a manufacturing company for the year ending 31 December, 2023.

Stock of Raw Materials (1-1-13)	4,000
Stock of Raw Materials (31-12-13)	3,400
Purchases of Raw materials	12,000
Stock of work-in-progress (1-1-13)	2,000
Stock of work-in-progress (31-12-13)	600
Carriage inward	500
Manufacturing wages	5,000
Other direct expenses	200
Indirect wages	2,000
Wastage of materials	50
Factory overhead	8,000
Selling overhead	4,000
Distribution overhead	2000
Stock of finished goods (1-1-13)	2,200
Stock of finished goods (31-12-13)	3,000
Sales	60,000

Required: Prepare a statement of cost showing:

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|--------------------------|-----------|
| i. Prime Cost. | (3 Marks) |
| ii. Factory Cost. | (3 Marks) |
| iii. Cost of production. | (3 Marks) |
| iv. Profit on sales. | (3 Marks) |

QUESTION THREE (20 MARKS)

Explain the difference between the following terms:

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| a) Product cost and period cost. | (4 Marks) |
| b) Fixed and variable cost. | (4 Marks) |
| c) Direct and indirect material cost. | (4 Marks) |
| d) Job order costing and batch costing. | (4 Marks) |
| e) Periodic and perpetual inventory systems. | (4 Marks) |

QUESTION FOUR (20 MARKS)

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|--|-----------|
| a) Explain FOUR assumptions of economic order quantity model. | (8 Marks) |
| b) Highlight the features of effective inventory system. | (6 Marks) |
| c) Outline the importance of costing to management. | (6 Marks) |

QUESTION FIVE (20 MARKS)

- a) ABC LTD sells 2 products which are manufactured in one plant. During the year 2019 it planned to sell the following quantities of each product;

		Q₁	Q₂	Q₃	Q₄
PRODUCTS	A(Units)	90,000	230,000	300,000	80,000
	C(Units)	65,000	75,000	55,000	85,000

Product A sells at Ksh 30 per unit while B at Ksh 10 per unit.

A study of past experience reveals that Jasho limited loses 10% of its billed revenue each year due to bad debts.

REQUIRED:

- Prepare sales budget incorporating the given information. **(8 Marks)**
- b) Explain **3** methods of Remuneration in labour costing. **(6 Marks)**
- c) Briefly explain the following cost concepts:
- i. Cost accumulation **(2 Marks)**
 - ii. Profit centre **(2 Marks)**
 - iii. Cost recognition **(2 Marks)**