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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2019/2020 ACADEMIC YEAR**  
**THIRD YEAR, FIRST SEMESTER EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF SCIENCE**  
**(BUSINESS ADMINISTRATION)**

Date: 4<sup>th</sup> December, 2019  
Time: 2.30pm – 4.30pm

**KAC 302 - COST ACCOUNTING**

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Differentiate between marginal costing and absorption costing. (5 Marks)
- b) Differentiate between managerial accounting and financial accounting. (5 Marks)
- c) "In practice there is no cost that can be described as entirely and always variable or fixed" Briefly discuss. (4 Marks)
- d) 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)
- e) Differentiate between a cost unit, a cost centre and a profit centre. (6 Marks)
- f) Explain the importance of the breakeven point in production (4 Marks)

**QUESTION TWO (20 MARKS)**

Yang Yu Ltd was awarded a contract to tarmac a road from Mwihoko to Ruai on 1/7/2013 and was to be completed by mid-2015. The following information was extracted from the accounting records of the company as at 30/06/2014.

	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 1/7/2011	6,000,000
Tools & consumables	126,000
Head office expense – apportioned	1,184,000

On 30/6/2014 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 30/6/2014 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) A contract account as at 30/6/2014, (9 Marks)
- b) bank account (6 Marks)
- c) Work-in-progress account and relevant balance sheet extracts. (5 Marks)

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

- a) Z-corner Ltd makes a product code name Hwang Yu which they sell at shs25 per unit. The current monthly output is 20000 units representing 100% capacity utilization. The company has received an order of 2000 units which can be satisfied by working overtime during the month. The selling price per unit of the new order is Shs48000. The total costs for last month were shs420000 which include a fixed cost of shs70000. If the special order is taken then the variable cost per unit will increase by 20% while the fixed costs will remain unchanged. Advice the company on whether to take the special order or not supporting your answer with relevant calculations. (10 Marks)
- b) Explain the term localized purchasing highlight the disadvantages associated with it. (10 Marks)

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

- a) A manufacturing company can produce 3 different products A, B and C. The following information is provided in respect of these products for a specific period

	A(shs)	B(shs)	C(shs)
Sales	160,000	210,000	230,000
Variable Costs:			
Materials	50,000	120,000	150,000
Labour	25,000	40,000	80,000
Overhead	12,000	20,000	15,000
Fixed Overheads	Shs 50,000.		

Required:

Advice the company regarding the choice of the products.

- (12 Marks)
- b) Differentiate between budgeting and budgetary control. (4 Marks)
- c) Explain the concept of a key factor in budgeting? (4 Marks)

### **QUESTION FIVE (20 MARKS)**

- a) From the following particulars calculate the earnings of a worker under Taylor's differential piece rate system and under the straight piece rate system. Standard time per unit. 15 minutes. Normal rate per hour Shs100. In a 9 hour day Jane produced 32 units while Peter produced 45 units.

(10 Marks)

- b) The data below were extracted from the records of Changamka Enterprises for the year ended 31<sup>st</sup> December 2018. 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

Required:

Prepare a cost sheet highlighting prime costs, production costs and total costs.  
(State any assumptions you have made in your work).

(10 Marks)