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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2014/2015 ACADEMIC YEAR
THIRD YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 23rd April, 2014
Time: 11.00am – 1.00pm

KAC 302 – COST ACCOUNTING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Explain the main objectives of costing system. (5 Marks)
- b) A Company begins operations with a stock of 2000litres of a chemical bought at Shs 20/= a litres. Subsequently, a further 1,200 litres are bought at Shs 20/= a litre, 2,720 litres are used, leaving a stock at the end of the period of 480litres. Calculate the value of stock on hand using FIFO method. (4 Marks)
- c) A supplier quoted for Material A as follows;
- | | | |
|-----------|------------|----------|
| Lot price | 100 units | Shs 1.00 |
| | 500 units | Shs 0.96 |
| | 1,000units | Shs 0.90 |
- Trade discount 20%, cash discount 5% in seven days. Container charges at Shs 4.00 each; Shs 3.20 credited on return.1 container required for every 150units.The purchaser decided to buy 60 0units. Transport charges amounting to Shs 13.50 and storage Shs 2.50, were charged to the supplier.
Calculate the purchase price. (5 Marks)
- d) Explain the following terms; (6 Marks)
- Royalty
 - Idle time
- e) Explain features of process costing method. (4 Marks)
- d) What is meant by a budget and budgetary control? (6 Marks)

QUESTION TWO (20 MARKS)

a) The following was contained from Roberto Ltd in 2013.

	Account balance	Manufacturing overhead
Work in progress	50,000	16,200
Finished good	75,000	31,320
Cost of goods sold	<u>2,375,000</u>	<u>1,032,480</u>
	<u>2,500,000</u>	<u>1,080,000</u>

Required

Compute and explain how Roberto Ltd appropriates the unallocated Shs 135,000 of manufacturing overhead at the end of 2013.

(8 Marks)

b) Discuss briefly the following items and their treatment in cost accounting.

- i) Carriage inwards
- ii) Storage losses
- iii) Cash discount received
- iv) Trade discount received,

(8 Marks)

c) Explain the advantages and disadvantages of FIFO methods.

(4 Marks)

QUESTION THREE (20 MARKS)

a) XYZ Ltd has three production departments and two service departments and for a period the department distributes summary has the following totals

Production cost center	A	800
	B	700
	C	500
Service cost center	1	234
	2	300

The expenses of the service cost center is charge out on a percentage basis as follows;

	A	B	C	1	2
SCC 1	20%	40%	30%	-	10%
SCC 2	40%	20%	20%	20%	-

Required

Show the apportionment of overhead using simultaneous method.

(10 Marks)

b) Explain the causes of abnormal loss in stores and the accounts entries which need to be posted.

(5 Marks)

c) The chief inspector must of necessary be a technical man who understands all manufacturing operation to enable him to trace reasons for defective work. Explain his duties.

(5 Marks)

QUESTION FOUR (20 MARKS)

- a) The manufacture of Product 'Bora' requires for distinct process number 1-4. On completion, the product is passed from process 4 to finished stock. During period 15, the following information was obtained in relation to Product 'Bora'.

Elements of Costs		Process	Process	Process	Process
	Total	1	2	3	4
Direct Material	2600	1500	400	-	700
Direct Labour	2650	250	300	900	1200
Direct Expenses	800	100	-	200	500
Production overhead	7950				

Production overhead is absorbed by process on the basis of 300 per cost of direct wages. Production during the period was 1000 units. There was no raw material or work in progress either at the beginning or at the end of the period.

Required

Calculate the cost of finished product 'Bora'.

(10 Marks)

- b) Explain the following terms;

i) By product

ii) Joint product

iii) Waste

(6 Marks)

- c) Explain the category covered under production overhead.

(4 Marks)

QUESTION FIVE (20 MARKS)

- a) The standard charges, Maintenance cost and depreciation for a machine are estimated to total Shs 2400 per annum. The machine is capable of working 50 weeks x 46 hours or 2300 hours, but it is anticipated that it will only work 80 per cent of the time or 1,840 hours. The actual hours recorded for the machine were 1750 hours and the operators' idle time is analyzed by causes in standing order number. These disclose that

30 hours were spent in waiting for work

10 hours were spent in waiting for foreman

30 hours were spent in breakdowns of machine.

The operators' rate of pay was Shs 4.00 per hour. The fixed administration overhead was Shs 10,000, and the anticipated machine hours of the factory as a whole is 14,000 hours

Required

Prepare a machine utilization statement to bring to notice of management the true cost of idle time (which should include, maximum possible hours, Standard capacity expected, cost of idle time, cost involved and breakdown of cost involved).

(10 Marks)

- b) While machine hours rate gives a fairly reliable basis for absorption of overhead. Explain the reason which is cited that causes discrepancies.

(4 Marks)

- c) Differentiate between Direct and, indirect material, labour and expenses.

(6 Marks)