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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
THIRD YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 13th April, 2023
Time: 11.30am – 1.30pm

KAC 302 - COST ACCOUNTING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

Question 1(30 Marks)

- a) Not all organisations require cost accounting. Discuss. **(5 Marks)**
- b) Discuss the weaknesses of financial accounting which lead to the development of cost accounting. **(4 Marks)**
- c) Differentiate between a cost unit, a cost centre and a profit centre using relevant examples. **(6 Marks)**
- d) The opening cash balance on 1st January was Shs28, 000. The sales budgeted was as follows;

<u>Month</u>	<u>Amount (Shs)</u>
November	90,000
December	80,000
January	95,000
February	85,000
March	110,000

Analysis of records shows that debtors settle according to the following pattern:

60% within the month of sale

25% the month following

15% the month following

Extracts from the Purchases budget were as follows:

<u>Month</u>	<u>Amount (Shs)</u>
December	60,000
January	55,000
February	45,000
March	55,000

All purchases are on credit and past experience shows that 90% are settled in the month of purchase and the balance settled the month after. Wages are Shs 15,000 a month while overheads average 25% of the monthly turnover. Taxation of Shs. 8,000 is settled in February in addition to insurance claim the company must settle in March for Shs. 25,000.

Required: Cash budget for

- i. January, (5 Marks)
- ii. February and (5 Marks)
- iii. March. (5 Marks)

Question2 (20 Marks)

- a) IAS2 requires that the closing stock be valued on the basis of lower of cost and/or net realizable value. Discuss the importance of this statement bringing out the relevance of prudence in accounting. (8Marks)

- b) You are provided with the following information relating to stock

Transactions for the month of May 2017.

May 1 Received 250 units at Sh 40 each

May 7 Received 150 units at Sh 44 each

May 9 Issued 200 units

May 14 Issued 100 units

May 19 Received 300 units at Sh 50 each

May 24 Issued 150 units

May 26 Received 100 units at Sh 52 each

May 30 issued 50 units

REQUIRED: Determine the value of the closing stock using

- i. Last in first out (LIFO)
- ii. FIFO
- iii. Weighted average. (12 marks)

Question3 (20 Marks)

- a) Explain the meaning of localized procurement. Discuss the pros and cons associated with it. (12 Marks)

- b) The following information was obtained from the books of Mwiki Wholesalers

Consumption per week:	Minimum	600 units
	Normal	800 units
	Maximum	1200 units
Re-order period	Minimum	2 weeks
	Normal	3 weeks
	Maximum	5 weeks
Reorder quantity		5000 units

Required: Calculate

- i. Re-order level. (3 marks)
- ii. Minimum stock level. (3 marks)
- iii. Maximum stock level. (2 marks)

Question 4 (20 Marks)

The following data relates to the repair cost incurred and the number of labour hours employed by Sukari Motor Garage Ltd for six months.

Month	Jan	Feb	March	April	May	June
Repair cost (Shs)	600,000	800,000	550,000	1,000,000	700,000	
	500,000					
No. of hours employed	4000	5000	3000	6000	4000	2000

Required:

Formulate a cost estimation function or equation in form of $y = a + bx$ using:

- High-low method (5 marks)
- Visual fit method (5 Marks)
- Simple linear regression method (6 marks)
- Use the equations obtained above to estimate the total repair cost for the month of July if the number of labour hours employed was 7000. (4 marks)

QUESTION FIVE (20 MARKS)

- Z-Corner Ltd has three production departments and two service departments. The following is their budgeted factory overheads for the year ended 31st December 2017.

Production departments

A	220,000	
B	180,000	
C	175,000	575000

Service departments

X	45,000	
Y	35,000	80000

The service department costs are to be re-apportioned as per the following percentages:

	A	B	C	X	Y
X	20	30	35	-	15
Y	30	30	30	10	

Required: Re-apportion the service department costs to the production departments using simultaneous equation method. (12 marks)

- Discuss the role of budgeting and budgetary control in cost accounting. (8 marks)