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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: 9th April, 2019
Time: 8.30am – 10.30am

KAC 302 - COST ACCOUNTING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Describe the duties of a cost accountant in an organization. (5 Marks)
- b) Briefly explain the various factors that should be considered when deciding on the stock level to maintain for an organization. (5 Marks)
- c) Explain the main limitations of cost accounting. (5 Marks)
- d) Describe the different branches of accounting. (5 Marks)
- e) Mjengo Ltd was awarded a contract to build an office block at Kahawa Chumvi. Work commenced on 1st May 2014. During the period to 28th February 2015 the expenditures on the contract were as follows:

Materials used from stores	941, 100
Materials purchased	2, 807,000
Direct expenses	614, 900
Wages	1, 849, 300
Administrative expenses	214, 600

Plant and machinery purchased on 1st May 2014 for use at site Kshs1, 218,000. On 28th February 2015 the stock of materials at the site amounted to Shs216, 400 and there were amounts outstanding for wages Shs36, 600 and direct expenses Shs4, 900. Mjengo Ltd had received on account the sum of Shs6, 417, 000 representing the amount of certificate No. 1 issued by the architects in respect of work completed to 28th February 2015 after deducting 10% retention money.

The following information was also available;

- i) The plant and machinery has an effective useful life of 5 years with no residual value.
- ii) The company only takes credit for two-thirds of the profit on work certified.

Required

A contract account for the period to 28th Feb 2015.

(10 Marks)

QUESTION TWO (20 MARKS)

Roysambu Dry Mix Company produces a single product. All materials are added at the beginning of production. On January 1, 2014, 10,000 kilograms of the product were in process in the Refining Department, the first department. During the month, 75,000 kilograms were placed into production and 73,000 kilograms were transferred out to the Toning Department, the second department. On January 31, 12,000 kilograms were still in process in the Refining department. The ending inventory is estimated to be fully complete as to materials and two-thirds (2/3) complete as to labour and overheads. Cost data for the month of January are shown below:

	Materials	Labour	Overheads
	Ksh	Ksh	Ksh
Beginning work in process inventory	32,000	12,760	7,200
Added during January	308,000	133,040	67,320

Required:

- a) Determine the equivalent units of production for the month. (5 Marks)
- b) Prepare a cost of production report for the Refining Department for the month. (10 Marks)
- c) Show the value of ending work –in-process inventory. (5 Marks)

QUESTION THREE (20 MARKS)

- a) Explain the main points of differences between absorption costing and marginal costing? (5 Marks)
- b) Explain the purchasing procedure in a manufacturing environment. (6 Marks)
- c) The following information is given for material Z 140.

Consumption:

Annual 360, 000 units

Maximum 1,200 units per day

Minimum 800 units per day

Normal 900 units per day

Re-order period 12 – 24 days

Re-order quantity 32,000 units

Required: Calculate the

- i) Re-order level (3 Marks)
- ii) Minimum stock level (3 Marks)
- iii) Maximum stock level (3 Marks)

QUESTION FOUR (20 MARKS)

- a) Alfa 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	240,000	
B	180,000	
C	220,000	640000

Service departments

X	75,000	
Y	40,000	125000

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

	A	B	C	X	Y
X	20	30	40	-	10
Y	20	35	30	15	

Re-apportion the service department costs to the production departments using simultaneous equation method. (10 Marks)

- b) In contract accounting explain the meaning of the following terms (as per IAS 11)
- i) Contractee. (3 Marks)
 - ii) Architects certificate. (3 Marks)
 - iii) Retention money. (4 Marks)

QUESTION FIVE (20 MARKS)

- a) What are the advantages and disadvantages of absorption costing? (5 Marks)

- b) 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	150,000	220,000	240,000
Variable Cost:			
Materials	50,000	120,000	150,000
Labour	25,000	40,000	80,000
V. Overhead	12,000	20,000	15,000

Fixed Overheads Shs 35,000.

Required:

Advice the company regarding the choice of the products. (15 Marks)