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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR**  
**FOR THE DIPLOMA IN BUSINESS INFORMATION TECHNOLOGY**  
**DAC 1502 - COST ACCOUNTING**

Date: 12<sup>th</sup> April, 2022  
Time: 8.30 am – 10.30am

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) It is believed that the limitations of financial accounting led to the development of cost accounting. In this regard, highlight the various limitations of financial accounting (5Marks)
- b) The cost accountant of NAMATI Ltd has presented the following information to the management team as at 31<sup>st</sup> December 2022 regarding its stocks:
- Reorder quantity 1,800
  - Reorder period 4 weeks
  - Maximum consumption 450 units/week
  - Normal consumption 300 units/week
  - Minimum consumption 150 units/week
  - Maximum reorder period 5 weeks
  - Minimum reorder period 3 weeks

**Required**

Compute the following stock levels for the Company:

- i) Re-order level (4 Marks)
  - ii) Minimum stock level (3 Marks)
  - iii) Maximum stock level (3 Marks)
- c) Briefly describe the meaning of the following terms as used in Cost Accounting Sunk costs.
- i) Cost ascertainment (2 Marks)
  - ii) Semi-fixed costs (2 Marks)
  - iii) Batch costing (2 Marks)
  - iv) Process costing (2 Marks)
  - v) Overheads (2 Marks)
- d) The role of an accountant is continuously evolving with much focus from just posting numbers to analysis, reporting and advisory. Outline duties of a cost accountant in the current dynamic business organisations. (5 Marks)

**QUESTION TWO (20 MARKS)**

- a) The data below was extracted by the cost accountant of Muene Ltd at 30<sup>th</sup> June 2021. Use the data to compute the remuneration of each employee as determined by each of the following methods:
- i) Hourly rate
  - ii) Basic piece rate

	Daisa	Wanja	
Name of employee			
Units produced	270	200	
Time allowed in minutes per unit	10	15	
Time taken (hours)	40	38	
Rate per hour (Kshs)	125	105	
Rater per unit (Kshs)	20	25	(12 Marks)

- b) Explain FOUR assumptions of the EOQ model. (8 Marks)

**QUESTION THREE (20 MARKS)**

- a) With the aid of formulae, discuss the bases of overhead allocation commonly applied in most manufacturing firms. (12 Marks)
- b) Discuss the relevance of having a cost accounting department. (8 Marks)

**QUESTION FOUR (20 MARKS)**

- a) Analyze the differences between batch costing and Contract Costing. (4Marks)
- b) M High-tex Engineering Company Limited wishes to set flexible budgets for each of its operating departments. A separate maintenance department performs all routine and major repair works on the company's equipment and facilities. The company has determined that the maintenance department performs all routine and major repair works on the company's equipment and facilities. The company has determined that maintenance cost is primarily a function of machine hours worked in the various production departments.

The maintenance cost incurred and the actual machine hours worked during the months of January, February, March and April 2003 were as follows:

Month	Machine hrs in production department	Maintenance department's cost
January	800	350
February	1,200	350
March	400	150
April	1,600	550

**Required:**

Find the cost estimation equation using;

- i) High low method (4 Marks)
- ii) Regression methods (5 Marks)
- iii) Using the regression equation in (ii) above find the total maintenance cost for the month of May assuming the production hours were 1,800 (3 Marks)
- c) Discuss TWO stock control systems (4 Marks)

**QUESTION FIVE (20 MARKS)**

- a) ABC Ltd has an aggregate demand of 1.2 Million units. Each time they place an order there is an ordering cost of shs 1,000, holding cost is shs 100 per unit. Determine:
- i) EOQ (6 Marks)
- ii) No. of order to be made based EOQ (5 Marks)
- iii) Total cost of stocks based on the EOQ (5 Marks)
- b) Discuss the limitations of least square method as a cost estimation approach. (4Marks)