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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2020/2021 ACADEMIC YEAR
CERTIFICATE IN PROCUREMENT AND SUPPLIES MANAGEMENT**

CPS 025 - ELEMENTS OF COSTING

Date: 17th December, 2020.
Time: 3.00pm – 5.00pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) The general fundamental principles of ascertaining costs are the same in every system of cost accounting, but the methods of analysis and presenting the costs vary from industry to industry. Discuss the methods of costing that can be used by different organizations. (10 Marks)
- b) 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)
- 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 (4 Marks)
- ii) Minimum stock level (3 Marks)
- iii) Maximum stock level (3 Marks)

QUESTION TWO (20 MARKS)

- a) Proper classification of costs is very important for identifying the costs with the cost centers or cost units. The same costs are classified according to different ways of costing depending upon the purpose to be achieved and requirements of a particular concern. Discuss the classification of costs. (10 Marks)
- b) Control of labour cost is an important objective of management and the realization of this objective depends upon the co-operation of every member of the supervisory force from the top executive to foremen. Discuss the reasons for management interest in labour cost. (10 Marks)

QUESTION THREE (20 MARKS)

- a) A recent survey has indicated that most firm use localized purchasing in conjunction with and in some cases in place of more sophisticated purchasing methods. Discuss the advantages of localized purchasing (10Marks)
- b) Summarize a standard procurement process from when the user places a request to when the user receives the procured goods. Assume this is a special need requiring either tendering or a quotation by suppliers. (10 Marks)

QUESTION FOUR (20 MARKS)

- a) The following information was obtained from the books of Mwiki Wholesalers
Direct materials 25,000
Direct labour 15,000
Factory Expenses 10,000
Administration Expenses 7,000
Selling expenses 10,000
Sales 60,000
Required:
- i) Prime Cost. (4 Marks)
 - ii) Factory Cost. (2 Marks)
 - iii) Cost of Production. (2 Marks)
 - iv) Total Cost. (2 Marks)
- b) From the following data compute the fixed overhead variances
- | | |
|-------------------------|-----------|
| Standard cost per hour | Shs 15 |
| Standard hours per unit | 2 hours |
| Budgeted production | 400units |
| Actual production | 360 units |
| Labour hrs worked | 780 hours |
| Costs incurred | Shs 13800 |
- (10 Marks)

QUESTION FIVE (20 MARKS)

- a) Overtime is work done beyond the normal working time in a day, Overtime increases the cost of production and should not be encouraged. Discuss the disadvantages of overtime to an organisation. (10 Marks)
- b) Cost Accounting is a branch of accounting and has been developed due to limitations of financial accounting. What are the limitations of Financial Accounting which led to the development of cost accounting?. (10 Marks)