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

Date: 13<sup>TH</sup> DECEMBER 2022  
Time: 8.30 am – 10:30AM

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Explain your understanding of cost accounting (3 Marks)  
b) Distinguish Cost Per Unit from Profit Centre (4 Marks)  
c) Outline the classification of costs according to function (5 Marks)  
d) Differentiate direct labour cost from indirect labour cost (4 Marks)
- e) Measured day work is used as the bases of remuneration where weekly wages are paid according to efficiency band as follows.

Efficiency band (%)	Weekly wage
71 – 80	105
81 – 90	120
91 – 100	135
101 – 110	150
111 – 120	165

The output achieved by a worker during a four-week period is as follows

Week	Output in unit
1	880
2	960
3	780
4	1090

1000 units are equal to 100% efficiency.

You are required to calculate total pay of Joshua. (6 Marks)

- f) What is Overhead Absorption? (2 Marks)  
g) Explain the term `` Variance Analysis`` (2 Marks)  
h) The material standard for one unit of product Z is 3 kg at shs 5 per k.g. 14,000kg were used at a cost of Shs 84,000 and 4,000 units were produced. Calculate the material cost variances. (4 Marks)

### **QUESTION TWO (20 MARKS)**

- a) Distinguish Cost Accounting from Financial Accounting (8 Marks)
- b) Discuss purposes of cost accounting (8 Marks)
- c) You are provided with the following data. Annual demand 4000kg  
Cost per unit shs. 2  
Cost per order shs. 50  
Holding cost 20% of cost per unit  
You are required to calculate Economic Order Quantity (EOQ). (4 Marks)

### **QUESTION THREE (20 MARKS)**

- a) The following information is provided for operations that took place in January 2022:
- Jan 1: Purchased 10 units @ sh10/=
- Jan 3: Purchased 12 units @ sh11/=
- Jan 5: Issued 20 units
- Jan 8: Purchased 15 units @ sh12/=
- Jan 9: Issued 10 units
- Jan 13: Purchased 20 units @ sh11/=
- Jan 17: Issued 8 units
- Jan 19: Issued 9 units
- Jan 21: Purchased 16 units @ sh13/=
- Jan 25: Purchased 10 units @ sh12/=
- Jan 28: Issued 16 units.
- Jan 30: Purchased 12 units @ sh13/=
- Jan 31: Issued 8 units.
- Required:* Using FIFO compute the value of issues and closing stock at 31<sup>st</sup> January through preparation of a store ledger card. (9 Marks)
- b) State the advantages of standard costs (9 Marks)
- c) What are overheads (2 Marks)

### **QUESTION FOUR (20 MARKS)**

- a) A vehicle carries 10 tonnes on a trip and delivers as follows: -
- 3 tonnes after 20 km; 2 tonnes after a further 10 km; and the remaining 5 tonnes after a further 30 km. it then returns empty, covering a distance of 60 km. The following information in respect of costs is provided: -
- |                     |     |
|---------------------|-----|
| Fuel and lubricants | 400 |
| Wages: Driver       | 150 |
| Mate                | 80  |
- Share of annual costs like insurance, maintenance, administration, depreciation etc. charged to this trip amounts to sh. 320.

Calculate: -

- i) Cost per tonne-kilometer
- ii) Cost per kilometer

(8 Marks)

b) Explain the term `` *Idle Time Variance* ``

(2 Marks)

c) What is ``Historical Cost``

(2 Marks)

d) Discuss the various aspects involved in standard costing

(8 Marks)

**QUESTION FIVE (20 MARKS)**

- a) In the manufacture of product Vitality 2000 kgs of material at kshs 5 were supplied to process I. Labour cost amounted to sh 3,000 and production overheads sh 2,300, normal loss has been estimated at 10%. The actual product after process was 1750kg.

**Required:** Prepare process 1 account, Normal loss account and Abnormal loss account.

(7 Marks)

b) Explain the term ``Work-In-Progress``

(2 Marks)

c) In terms of costing, explain three types of contracts

(6 Marks)

d) Outline five methods of Overhead Absorption

(5 Marks)