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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR**  
**FIRST YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE DIPLOMA IN PROCUREMENT AND SUPPLIES MANAGEMENT**  
**DAC 1502:COST ACCOUNTING**

Date: 14<sup>th</sup> August 2023

Time: 2.30pm-4.30pm

INSTRUCTIONS TO CANDIDATES:

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) The Finance Manager of New Mwhoko Manufacturing is plant is considering setting up a cost accounting department for the plant. Explain THREE importance of setting up the department. (6 marks)
- b) Management Function classification of costs provides the management with an opportunity to evaluate the efficiency of the departments performing different functions in the organization. By giving examples describe THREE ways in which costs can be classified according to management function. (6 marks)
- c) B ltd orders raw material for its manufacturing process. The following is available concerning the raw materials.
- |                          |            |
|--------------------------|------------|
| Annual Consumption       | 37,500 kgs |
| Ordering costs per order | Sh 10      |
| Carrying cost per unit   | Sh 3       |
- Required**
- |   |           |
|---|-----------|
| Economic order quantity for the raw materials | (2 marks) |
| Total holding costs                           | (2 marks) |
| Total ordering costs                          | (2 marks) |
| Total costs                                   | (2 marks) |
- d) State and explain 3 ways of remunerating workers (6 marks)
- e) List four conditions of a successful budget (4 marks)

QUESTION TWO(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:-
- |                        |      |
|------------------------|------|
| i. Fuel and lubricants | 4000 |
| ii. Wages: Driver      | 1500 |
| iii. Mate              | 800  |
- b) Share of annual costs like insurance, maintenance, administration, depreciation etc. charged to this trip amounts to sh. 3200.
- Required**
- |                             |           |
|-----------------------------|-----------|
| i. Cost per tonne-kilometer | (4 marks) |
| ii. Cost per kilometer      | (4 marks) |
- c) A worker is paid on a straight piece work. The standard time per unit is 3 hours and the rate per hour is agreed at sh 50. On a particular day the worker produced 8 units. Compute the worker's pay for the day (3 marks)
- d) An employee is paid rate sh 1000 per hour. Normal time is 40 hrs per week but employee worked for 45 hours. Calculate total pay per week if overtime is paid at 50% more than normal rate. (3 marks)

Briefly explain the following terms in material costing

- i. Perpetual material costing system (2 marks)
- ii. Economic order quantity (2 marks)
- iii. First in First out stock valuation method (2marks)

**QUESTION THREE (20 MARKS)**

- a) Highlight FOUR limitations of financial accounting that led to development of cost accounting (4 marks)

The information has been extracted from the stores records of Genge Stores

Jan 1: Purchased 20 units @ sh10/=

Jan 3: Purchased 24 units @ sh11/=

Jan 5:G Issued 40 units

Jan 8: Purchased 30 units @ sh12/=

Jan 9: Issued 20 units

Jan 14: Purchased 40 units @ sh11/=

Jan 18: Issued 16 units

Jan 22: Issued 18 units

Jan 25: Purchased 24 units @ sh13/=

Jan 31: Issued 36 units.

**Determine**

- a) Value of issues and closing stock using FIFO (10 Marks)
- b) Assume the Issues represent sales at Sh 20 per unit what is the gross profit calculate the gross profit. (3 marks)
- c) State the advantages of using FIFO stock valuation method. (3 marks)

**QUESTION FOUR (20 MARKS)**

- a) List five ways of absorbing overheads (5 marks)
- b) 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:**

- i. Process 1 account (3 marks)
- ii. Normal loss account (2 marks)
- iii. Abnormal loss account. (2 marks)
- c) Explain the term ``Work-In-Progress`` (2 Marks)
- d) Explain three ways of classifying labour costs by behavior (6 marks)

**QUESTION FIVE (20 MARKS)**

- a) The following information is provided for Xenon Ltd
  - Normal usage 300 units per week
  - Maximum usage 450 units per week
  - Minimum usage 150 units per week
  - Re-order period 4 – 6 weeks
  - Re-order quantity 2,400 unitsRequired:
  - i) Re-order level. (2 marks)
  - ii) Minimum stock level. (3 marks)
  - iii) Maximum Stock level. (3 marks)
  - iv) Average stock (2 marks)
- b) Explain difference between the following terms used in cost accounting
  - i. By product and Joint product costing (2 Marks)
  - ii. Capital and revenue expenditure (2 marks)
  - iii. Budgeting and standard costing (2 marks)
  - iv. Period and product costing (2 marks)
  - v. Controllable and uncontrollable costs (2 marks)