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KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION 2022 ACADEMIC YEAR
YEAR ONE, SECOND SEMESTER EXAMINATION
DIPLOMA

UNIT CODE: DAC 1502

DAC/DBA/DBF/DBT//DPS

UNIT TITLE: COST ACCOUNTING

EXAM TYPE: MAIN PAPER

LECTURERS NAME: NICHOLAS OMONDI/CEASAR CHEMAI

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Highlight the areas in which cost accounting may be useful in an organization (5marks)
- b) ABC Ltd uses 4000 components of a given material in a year. The cost of placing an order is sh 200 while the inventory holding cost is sh 40 per item per year. Materials are replaced when the stock levels falls to zero. The order can be placed and received within a few hours (lead-time is zero).

Required

- i. Determine the EOQ of materials (4 marks)
- ii. Determine the total number of orders per year and total ordering cost. (3 marks)
- iii. Determine the total holding cost per year. (3 marks)
- iv. If an item costs sh 250, determine the total material cost per year. (5 marks)
- c) State advantages of using the perpetual inventory system: (5marks)
- d) Outline five features of information from a cost accounting system. (5marks)

QUESTION TWO (20 MARKS)

- a) Discuss material control system under;
 - i. Periodic material costing system (3 marks)
 - ii. Perpetual material costing system (3marks)
- b) Highlight four reasons for high labour turnover. (4 marks)
- c) The following information is given for material X254.

Consumption:

Maximum 1,200 units/day
Minimum 800 units/day
Normal 900 units/day
Re-order period 12 – 24 days
Re-order quantity 32,000 units

Required:

- i) Re-order level. (4 marks)
- ii) Minimum stock level. (3 marks)
- iii) Maximum Stock level. (3 marks)

QUESTION THREE (20 MARKS)

- a) The following data relates to MBC Company limited for the half year period ended June 2021.

Month	Output (Units)	Total Cost (Shs)
January	40	5,100
February	45	5,450
March	50	6,050
April	40	5,400
May	60	6,850
June	55	6,250

Required:

Find the cost estimation equation using;

- i.) The High low method (6 marks)
 - ii.) Regression analysis method (4marks)
 - iii.) If output in July is expected to be 65 units, estimate its cost (2 marks)
- b) Labour costs is a significant expense in the books of account and must be controlled in order to ensure that no overpayments are made. Discuss techniques for effective labour cost control. (8marks)

QUESTION FOUR (20 MARKS)

a) Mwhoko Company Ltd produces tubes for motor cycles. The following information was provided for the year 2021

	Sh		Sh
Direct Materials	100,000	Depreciation of factory Plant	500
Direct Wages	30,000	Manager's Salary	5,000
Wages of Factory Foreman	2,500	Directors' fees	1,250
Electric power	500	Office Stationery	500
Lighting: Factory	1,500	Telephone Charges	125
Office	500	Postage and Telegrams	250
Storekeeper's wages	1,000	Salesmen's salary	1,250
Oil and water	500	Travelling expenses by sales men	500
Rent: Factory	5,000	Advertising	1,250
Office	2,500	Warehouse charges	500
Repairs and Renewals:		Carriage outward	375
Factory plant	3,500		
Office	500		

Required:

Cost sheet or Cost statement showing prime cost, total production cost and total cost **(10 marks)**

b) Differentiate the following terms of cost concepts.

- i. Product cost and Period costs **(2 marks)**
- ii. Direct and Indirect costs **(2 marks)**
- iii. Relevant and irrelevant costs **(2 marks)**
- iv. Joint costs and separable cost. **(2 marks)**
- v. Controllable and non-controllable costs. **(2 marks)**

QUESTION FIVE (20 MARKS)

The following information is provided by Kakuzi ltd for the month of Feb2020,

Date	purchases	Date	sales
1 st Sept	115 units @ sh120	6 th Sept	90 units @ sh140
8 th Sept	100 units @ sh125	10 th Sept	65 units @ sh145
16 th Sept	15 units @ sh140	25 th Sept	35 units @ sh160
20 th Sept	35 units @ sh150		
26 th Sept	10 units @ sh145		

Required;

- a) Determine the closing stock using value using;
i) LIFO (9 Marks)
- b) Show the effect of stock valuation method on trading Account. (5Marks)
- c) Explain the following terms under labour costing;
i. Job costing (2Marks)
ii. Process costing (2Marks)
iii. Batch costing (2Marks)