



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P.O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FOR THE CERTIFICATE IN PROCUREMENT AND SUPPLY CHAIN
MANAGEMENT

CPS 025: ELEMENTS OF COSTING

Date: 7TH DECEMBER 2023

Time: 2:30PM-4:30PM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

a) The following information was extracted from the books of ABC LTD regarding its stocks:

Reorder quantity	4,200
Reorder period	5 weeks
Maximum consumption	1000 units/week
Normal consumption	800 units/week
Minimum consumption	400 Units/week
Maximum reorder period	6 weeks
Minimum reorder period	4 weeks

Required

Determine the following stock levels for abc ltd :

- i) Re-order level (4 Marks)
ii) Maximum stock level (4 Marks)
iii) Minimum stock level (4 Marks)
- b) Discuss THREE Various Forms of Cost Classification and give examples of cost. (6 Marks)
- c) Describe the Budgetary Control Process. (6 Marks)
- d) Explain three Differences between cost and Financial accounting. (6 Marks)

QUESTION TWO (20 MARKS)

- a) Discuss FOUR elements of process costing (8 Marks)
b) Explain FOUR types of standard costing (8 Marks)
c) State FOUR Limitation of Cost Accounting (4 Marks)

QUESTION THREE (20 MARKS)

- a) Explain FOUR importance of budgeting. (8 Marks)
b) The following figures have been extracted from the records of a manufacturing company for the year ending 31ST December, 2013.

Stock of Raw Materials (1-1-13)	3,000
Stock of Raw Materials (31-12-13)	2,400
Purchases of Raw materials	14,000
Stock of work-in-progress (1-1-13)	1,000

Stock of work-in-progress (31-12-13)	800
Carriage inward	500
Manufacturing wages	4,000
Other direct expenses	200
Indirect wages	1,000
Experiment expenses	400
Wastage of materials	50
Factory overhead	7,000
Establishment on costs	2,000
Selling overhead	4,000
Distribution overhead	1,000
Stock of finished goods (1-1-13)	1,200
Stock of finished goods (31-12-13)	3,000
Sales	40,000

Required:

Prepare a statement of cost showing:

- i) Prime Cost (2 Marks)
 - ii) Factory Cost (2 Marks)
 - iii) Cost of production (2 Marks)
 - iv) Profit on sales. (2 Marks)
- c) By Examples Differentiate between Direct Costs and Indirect Cost. (4 Marks)

QUESTION FOUR (20 MARKS)

- a) The following information was extracted from the books of Kenkom traders and relates to four departments:

Overhead	Ksh
Rent	50,000
Repairs to plant	70,000
Depreciation of plant	80,000
Light and heating	10,000
Supervision	60,000
Repairs to buildings	20,000

The following additional information in respect of the four departments is also provided:

	Dept. A	Dept. B	Dept. C	Dept. D
Area in square metres	1,200	1,300	600	400
Number of employees	35	25	25	15
	Ksh	Ksh	Ksh	
Value of plant	700,000	600,000	400,000	10000

Required:

- Prepare an overhead analysis sheet showing clearly the bases of apportionment. (8 Marks)
- b) Explain FOUR advantages of standard costing. (8 Marks)
 - c) Describe THREE Purpose of Cost Accounting Information. (4 Marks)

QUESTION FIVE (20 MARKS)

- a) Jasho Ltd sells 2 products which are manufactured in one plant. During the year 2019 it planned to sell the following quantities of each product;

		Q1	Q2	Q3	Q4
PRODUCTS	A(Units)	90,000	230,000	300,000	80,000
	C(Units)	65,000	75,000	55,000	85,000

Product A sells at Ksh 10 per unit while B at Ksh 20 per unit.

A study of past experience reveals that Jasho limited loses 10% of its billed revenue each year due to bad debts.

Required:

- Prepare sales budget incorporating the given information. (8 Marks)
- b) Explain THREE methods of Remuneration in labour costing. (6 Marks)
- c) Discuss THREE reasons for **Absorption of Overheads**. (6 Marks)