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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE CERTIFICATE IN BANKING AND FINANCE

Date: 12th April, 2024

Time: 2:30Pm -4:30pm

CBF 025 - ELEMENTS OF COSTING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Highlight three differences between financial accounting and cost accounting. (6 marks)
- b) Identify four importance of budgeting to management (4 marks)
- c) Define the terms cost and costing (2 marks)
- d) The following information is provided
- | | |
|---------------------|---------------------|
| Normal consumption | 1100 units per week |
| Maximum consumption | 1700 units per week |
| Minimum consumption | 600 units per week |
| Re-order period | 5 – 7 weeks |
| Re-order quantity | 4,600 units |
- Required:**
- i) Re-order level. (2 marks)
- ii) Minimum stock level. (3 marks)
- iii) Maximum Stock level. (3 marks)
- iv) Average stock (2 marks)
- e) List six causes of labour turnover (4 marks)
- f) Highlight four was of apportioning overheads (4 marks)

QUESTION TWO (20 MARKS)

- a) A wholesaler has to supply his customers with 30,000 units per year. Cost of placing an order is Sh 3 per order and holding cost is Sh 2 per unit.

Required:

- i. Calculate the economic order quantity (EOQ). (2marks)
- ii. Number of orders (2marks)
- iii. Total ordering cost (2marks)
- iv. Total holding cost (2marks)
- v. Total annual inventory cost if the purchase cost is Sh 2.50 (2marks)
- vi. List five assumptions of economic order quantity model (5 marks)
- b) Outline the importance of costing to management (5marks)

QUESTION THREE (20 MARKS)

a.) The following relate to Zohan manufacturing company for the year ended 31 December 2023

| | Sh |
|-----------------------------------|---------|
| Purchase of Raw Materials | 127,500 |
| Direct wages | 112,500 |
| Direct expenses | 22,500 |
| Indirect materials | 750 |
| Other factory expenses | 8,550 |
| Salaries - Admin Office | 3,750 |
| Sales department | 2,500 |
| Factory warehouse | 3,000 |
| Other office expenses | 1350 |
| Travelling of salesmen | 1,650 |
| Carriage inwards | 7,500 |
| Indirect factory wages | 15,000 |
| Rent and rate : Factory | 7,500 |
| Admin Office | 750 |
| Depreciation: factory plant | 2,250 |
| Office furniture | 150 |
| Management salaries for : Factory | 6,000 |
| Admin Office | 3,000 |
| Sales department | 9,000 |
| Advertising | 3,000 |
| Carriage outwards | 1,500 |

Required

- i.) Cost statement for the year ended 31 December 2023 (12 marks)
ii.) If the sales amounted to Sh 350,000 calculate the profit (2 marks)
b.) Highlight the features of effective inventory system (6 marks)

QUESTION FOUR (20 MARKS)

- a) Briefly explain the following cost concepts
- i.) Cost unit (2 marks)
ii.) Cost accumulation (2 marks)
iii.) Cost recognition (2 marks)
- b) An employee is paid a rate of sh2000 per hour. Normal time is 40 hrs per week but employee worked for 50 hours. Calculate total pay of the week if overtime is paid at 2 times normal rate. (3 marks)
- c) Highlight the actions to be taken to reduce labour turnover (5 marks)
- d) Briefly explain the following inventory valuation methods
- i.) First In First Out (2 marks)
ii.) Last in First Out (2 marks)
iii.) Weighted average (2 marks)

QUESTION FIVE (20 MARKS)

- a) Explain three ways in which costs can be classified according to cost behaviour (6 marks)
- b) List four types of labour costs incurred by a company (4 marks)
- c) Briefly explain the following costing methods
 - i. Job order costing and contract costing (4 marks)
 - ii. By product and joint product costing (4 marks)
- d) 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 600. On a particular day the worker produced 100 units. Compute the worker's pay for that day. (2 marks)