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**KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR**  
**FIRST YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE CERTIFICATE IN PROCUREMENT & SUPPLY CHAIN**  
**MANAGEMENT**  
**CPS 025: ELEMENTS OF COSTING**

Date: 12<sup>TH</sup> April, 2024  
Time: 2.30PM-4.30PM

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

**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)**