



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, 2018/2019 ACADEMIC YEAR**  
**DIPLOMA IN BANKING AND FINANCE**  
**DAC 1502 – COST ACCOUNTING**

Date: 16<sup>th</sup> April, 2018  
Time: 2.30pm –4.30pm

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

- (a) Define cost accounting (2 Marks)  
(b) List any five purposes of Cost Accounting (5 Marks)  
(c) Differentiate between the following costs:  
(i) Fixed and variable costs (4 Marks)  
(ii) Direct and overhead costs (4 Marks)  
(d) In relation to stock valuation methods, replacement and cost method (4 Marks)  
(e) Explain briefly any four benefits of break-even chart (8 Marks)  
(f) Give three advantages of using a budget in business (3 Marks)

**QUESTION TWO (20 MARKS)**

- (a) Describe your understanding of cost statement and give two benefits that a firm may realize for using a cost statement. (6 Marks)  
(b) Snowline manufacturing company has provided the following information for the month of October 2017.

**Stocks on 1<sup>st</sup> October 2017**

	<b><u>Kshs.</u></b>
Raw material	400,000.00
Work in progress	120,000.00
Finished goods	200,000.00

**Stock on 31<sup>st</sup> October 2017**

	<b><u>Kshs.</u></b>
Raw materials	350,000.00
Work in progress	170,000.00
Finished goods	230,000.00
Purchase of new material for October	2,500,000.00
Factory wages	800,000.00
Salaries of Supervisors	300,000.00
Factory rent	100,000.00
Power	50,000.00
Sundry factory expenses	150,000.00
Office salaries	130,000.00
Sundry office expenses	70,000.00
Sales persons' salaries	180,000.00
Sundry selling expenses	60,000.00

**REQUIRED:**

Prepare a production cost statement

(4Marks)

**QUESTION THREE (20 MARKS)**

- (a) Differentiate between the following stock valuing methods:
  - (i) First in first out (FIFO) and last in first out (LIFO) (4 Marks)
  - (ii) Simple average and weighted average (4Marks)

- (b) You are provided with the following information relating to stock

Transactions for the month of May 2017.

May 1 Received 250 units at Sh 40 each

May 7 Received 150 units at Sh 44 each

May 9 Issued 200 units

May 14 Issued 100 units

May 19 Received 300 units at Sh 50 each

May 24 Issued 150 units

May 26 Received 100 units at Sh 52 each

May 30 issued 50 units

**REQUIRED:**

Using first in first out (FIFO) method, determine the value of stock on 30<sup>th</sup> May, 2017. Show your working well. (12 Marks)

**QUESTION FOUR (20 MARKS)**

- (a) Describe break-even chart and give any three assumptions in the using Of the chart. (5 Marks)
- (b) The following information relates to Lengo enterprises.

Level of output	Fixed cost	Variable cost	Total costs	Sales	Profit/loss
UNITS	KSHS	KSHS	KSHS	KSHS	KSHS
5,000	600,000	250,000		500,000	
10,000	600,000	500,000		1,000,000	
15,000	600,000	750,000		1,500,000	
20,000	600,000	1,000,000		2,000,000	

**REQUIRED:**

- (i) Complete the table above (6 Marks)
- (ii) Using the information in the table draw a break-even chart (9 Marks).

**QUESTION FIVE (20 MARKS)**

- (a) Define budget (2 Marks)
- (b) Give three benefits of using a budget (6 Marks)

- (c) Munama LTD manufacturers two products namely p1 and p2. The Company uses two materials M1 and M2 in the manufacture of these Products.

The following information is given for the year 2017.

(i)	Budgeted Sale:		
	<b>PRODUCT</b>	<b>QUANTITY</b>	<b>PRICE SH</b>
	P1	5,000	80
	P2	4,000	30
(ii)	Material used:		
	Material	<u>M1</u>	<u>M2</u>
		Sh	Sh
	Unit cost	10	16
	Quantities used:		
	P1	10	6
	P2	8	8

There were no stocks at the beginning of the year. Stocks at the end of the year Are expected to be:

P1: 500 Units  
P2: 250 Units

**REQUIRED:**

- (a) Sales budget  
(b) Production budget  
(c) Material purchase in quantity and value.

(12 Marks)