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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FOR THE CERTIFICATE IN PROCUREMENT AND SUPPLY CHAIN
MANAGEMENT
CPS 025- ELEMENTS OF COSTING

Date: 6th December 2022
Time: 2:30pm-4:30pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Cost Accounting system has three main features. In this regard highlight the various features of cost accounting system. (5 Marks)
- b) QPR Limited uses 50,000 units of material X10 per year, which are acquired at Shs100 each. The ordering and handling costs are Shs150 per order and carrying costs is Shs 15 per unit cost of the inventory per annum.

Required:

- i) Calculate the economic order quantity (EOQ). (4 Marks)
- ii) Number of orders to be made based on EOQ (3 Marks)
- iii) Total ordering cost (5 Marks)
- iv) Total holding cost (5 Marks)
- v) Total annual inventory cost (3 Marks)
- c) State the uses of standard costing in an organization. (5 Marks)
- d) Identify the three main elements of costing. (6 Marks)
- e) Distinguish between marginal costing and absorption costing. (4 Marks)

QUESTION TWO (20 MARKS)

- a) Costing is one of the major functions in the accounting department of any organization. Discuss three major roles of costing in management. (6 Marks)
- b) ALPHA Company has provided you with the following information regarding its operations for the month of January.
- Direct Materials 20000;
 - Direct Labour 10000;
 - Factory Expenses 7000;
 - Administration Expenses 5000;
 - Selling Expenses 7000 and
 - Sales. 60,000.
- i) The Prime Cost (2 Marks)
- ii) Works Cost (2 Marks)
- iii) Cost of production (2 Marks)
- iv) Total Cost (2 Marks)
- v) Profit (2 Marks)

QUESTION THREE (20 MARKS)

- a) Explain the difference between the following terms
- i) Product cost and period cost (4 Marks)
 - ii) Fixed and variable cost (4 Marks)
- b) Discuss four advantages of following methods of purchasing;
- i) Centralized purchasing (4 Marks)
 - ii) Decentralized purchasing (4 Marks)
- c) With the use of a well labelled diagram (graph), show the Breakeven sales and Breakeven volume (4 Marks)

QUESTION FOUR (20 MARKS)

- a) Outline the similarities between standard costing and budgetary control. (6 Marks)
- b) Outline the three types of job costing. (3 Marks)
- c) Explain four reasons why an organization is always interested in labour cost. (8 Marks)
- d) Discuss four stock control systems. (8 Marks)

QUESTION FIVE (20 MARKS)

- a) Discuss two ratios under each of the following broad categories of ratios.
- i) Profitability (4 Marks)
 - ii) Liquidity (4 Marks)
 - iii) Turnover/ efficiency (4 Marks)
- b) Explain four assumptions behind Economic Order Quantity (8 Marks)