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**KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR**  
**FIRST YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE DIPLOMA IN COMMUNITY DEVELOPMENT AND SOCIAL WORK**  
**DDS 1502 – COST ACCOUNTING**

Date: 11<sup>TH</sup> December, 2023  
Time: 2:30PM- 4:30PM

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) A farmer has set-up a coffee factory in Kimatuni, Kenya and apparently lacks adequate business and cost insights. Explain to the farmer your understanding of cost accounting (3 Marks)
- b) Distinguish Cost Per Unit from Profit Centre (4 Marks)
- c) Outline five classification of costs according to function (5 Marks)
- d) Differentiate direct labour cost from indirect labour cost (4 Marks)
- e) Measured day work is used as the bases of remuneration where weekly wages are paid according to efficiency band as follows.

Efficiency band (%)	Weekly wage
71 – 80	105
81 – 90	120
91 – 100	135
101 – 110	150
111 – 120	165

The output achieved by a worker during a four week period is as follows.

Week	Output in unit
1	880
2	960
3	780
4	1090

1000 units is equal to 100% efficiency.

You are required to calculate total pay of the worker (6 Marks)

- f) Define Overhead Absorption (2 Marks)
- g) Explain the term `` Variance Analysis`` (2 Marks)
- h) The material standard for one unit of product Z is 3 kg at shs 5 per k.g. 14,000kg were used at a cost of Shs 84,000 and 4,000 units were produced. You are required to calculate the material cost variances. (4 Marks)

**QUESTION TWO (TOTAL 20 MARKS)**

- a) A Board of a fast growing food company in Nanyuki has requested you to make a presentation in their meeting over two accounting disciplines. Distinguish Cost Accounting from Financial Accounting as an advance strategy for the meeting (8 Marks)
- b) Discuss purposes of cost accounting in a manufacturing company (8 Marks)
- c) You are provided with the following data:
- Annual demand 4000kg  
Cost per unit sh 2  
Cost per order sh 50  
Holding cost 20% of cost per unit
- You are required to calculate Economic Order Quantity (EOQ) (4 Marks)

**QUESTION THREE (20 MARKS)**

- a) The following information is provided for operations that took place in August 2023:
- Jan 1: Purchased 10 units @ sh10/=
- Jan 3: Purchased 12 units @ sh11/=
- Jan 5: Issued 20 units
- Jan 8: Purchased 15 units @ sh12/=
- Jan 9: Issued 10 units
- Jan 13: Purchased 20 units @ sh11/=
- Jan 17: Issued 8 units
- Jan 19: Issued 9 units
- Jan 21: Purchased 16 units @ sh13/=
- Jan 25: Purchased 10 units @ sh12/=
- Jan 28: Issued 16 units.
- Jan 30: Purchased 12 units @ sh13/=
- Jan 31: Issued 8 units.

*Required:*

- i) Using FIFO compute the value of issues and closing stock at 31<sup>st</sup> August through preparation of a store ledger card. (14 Marks)
- ii) If the sales price is Ksh. 25, calculate the gross profit. Issues are taken as sales (3 Marks)
- iii) What is the advantage of using FIFO as inventory valuation method (3 Marks)

**QUESTION FOUR (TOTAL 20 MARKS )**

- a) Below is the consumption per week of a certain item Maximum consumption 400kg  
Normal / average consumption 300kg Minimum consumption 200kg  
Re-order / lead time 4 – 6 days  
Re-order quantity 1500kg

*You are required to determine:*

- i) Re-Order. Level (2 Marks)

- ii) Minimum Stock Level (3 Marks)
- iii) Maximum Stock Level (3 Marks)
- iv) Average Stock Level (2 Marks)
- b) Explain purposes of overhead Costs Analysis in a firm (6 Marks)
- c) Highlight four ways which overheads are apportioned (4 Marks)

**QUESTION FIVE (TOTAL 20 MARKS)**

- a) A major shareholder in a construction company is poised to attend an important meeting with the board of directors over issues of contracts for the coming five years. You are required to explain three types of contracts to the shareholder (6 Marks)
- b) The Cost Accountant of Northlands Dairies Ltd has presented the total budgeted cost up 31<sup>st</sup> December 2023 is as follows:

Direct materials	8000
Direct labour	4000 (1600hr @ sh 2.5)
Production O.H	18000

You are required to calculate the production overhead absorbed by job ABC where details are:

	sh
Direct material	10
Direct labour	100(6 Marks)

- c) A small manufacturing factory in Ruiru town has planned for a count of its inventory. You are required to outline six factors to consider when planning for a Periodic Stock Taking (6 Marks)
- d) Outline 2 examples of costing systems (2 Marks)