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

Date: April, 2022.

Time: 11.00 am-

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Cost Accounting is a branch of accounting and has been developed due to limitations of financial accounting. In this regard highlight the various limitations financial accounting. (5 Marks)
- b) FryMax Company uses 50,000 widgets per year, which are acquired at Shs100 each. The ordering and handling costs are Shs150 per order and carrying costs are 15% of the cost of 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 cost of stocks based on the EOQ (5 Marks)
- iv) State the uses of standard costing in an organization (5 Marks)
- v) Differentiate between cost centre and profit centre as used in elements of costing (4 Marks)
- vi) 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)
- c) Abc 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 (3 Marks)
- ii) Works Cost (3 Marks)
- iii) Cost of production (3 Marks)
- iv) Total Cost (3 Marks)
- v) Profit (2 Marks)

QUESTION THREE (20 MARKS)

- a) Highlight the procedure/ steps to be followed in purchasing (6 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 (6 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 (6 Marks)
- d) Discuss four stock control systems (5 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) Materials form a significant cost of output units and, therefore, should be controlled. Material control is more than simply recording the accounting transactions relating to material cost. In view of the above statement discuss four characteristics of an effective material control system (8 Marks)