



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, 2021/2022 ACADEMIC YEAR
YEAR ONE, SECOND SEMESTER EXAMINATION FOR
CERTIFICATE IN PROCUREMENT AND SUPPLIES MANAGEMENT

CPS 025 ELEMENTS OF COSTING

EXAM TYPE: SPECIAL EXAM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANYOTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Defferiante the folloeing terms:
- i. Standard costing and Marginal costing. (2marks)
 - ii. Materials and Labour. (2marks)
 - iii. Centralized and decentralized purchasing. (2marks)
 - iv. Minimum and Maximum level. (2marks)
 - v. The following information is given for material Z 140.
Consumption:
Annual 360, 000 units
Maximum 1,200 units per day
Minimum 800 units per day
Normal 900 units per day
Re-order period 12 – 24 days
Re-order quantity 32,000 units
Required: Calculate the
 - i. Re-order level (3 marks)
 - ii)Minimum stock level (2 marks)
 - iii) Maximum stock level (2 marks)

- b) Discuss the disadvantages of using Straight piece rate system as a system of wage payment. (5marks)
- c) Calculate the earnings of worker A and B under straight Piece-rate system and Taylor's Differential Piece-rate system from the following particulars, assuming that a working day has 8hours.

Normal rate per hour= Kshs. 1.80

Standard Time per unit= 20 seconds

Differentials to be applied:

80% of piece rate below standard

120% of piece rate to or above standard

Worker A produced 1300 units per day and Worker B produced 1500 units per day.

(10marks)

QUESTION TWO (20 MARKS)

- a) Cost Accounting is a branch of accounting and has been developed due to limitations of financial accounting. What are the limitations of Financial Accounting which led to the development of cost accounting?. (6marks)
- b) A recent survey has indicated that most firm use localized purchasing in conjunction with and in some cases in place of more sophisticated purchasing methods. Discuss the advantages of localized purchasing. (8marks)
- c) control of labour cost is an important objective of management and the realization of this objective depends upon the co-operation of every member of the supervisory force from the top executive to foremen. Discuss the reasons for management interest in labour cost. (6 Marks)

QUESTION THREE (20 MARKS)

- a) Discuss the various points of difference between Profit centre and Cost centre. (8marks)
- b) Proper classification of costs is very important for identifying the costs with the cost centers or cost units. Discuss the classification of cost. (8 Marks)
- c) Explain the factors to be considered when choosing a cost centre. (4marks)

QUESTION FOUR (20 MARKS)

- a) Overtime is work done beyond the normal working time in a day, Overtime increases the cost of production and should not be encouraged. Discuss the disadvantages of overtime to an organisation. (6 marks)

- b) Summarize a standard procurement process from when the user places a request to when the user receives the procured goods. Assume this is a special need requiring either tendering or a quotation by suppliers. (10 Marks)
- c) Discuss the disadvantages of time wage system as a system of wage payment. (4marks)

QUESTION FIVE (20 MARKS)

- a) The following information was obtained from the books of Mwiki Wholesalers

Direct materials 25,000

Direct labour 15,000

Factory Expenses 10,000

Administration Expenses 7,000

Selling expenses 10,000

Sales 60,000

Required:

- i. Prime Cost. (4 Marks)
- ii. Factory Cost. (2 Marks)
- iii. Cost of Production. (2 Marks)
- iv. Total Cost. (2 Marks)
- b) From the following data compute the fixed overhead variances

Standard cost per hour	Shs 15
Standard hours per unit	2 hours
Budgeted production	400units
Actual production	360 units
Labour hrs worked	780 hours
Costs incurred	Shs 13800

(10 Marks)