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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: 28<sup>TH</sup> JULY 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 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) Feshfry Company uses 50,000units 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) Highlight the various limitations financial accounting. (5 Marks)
- d) Discuss 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 sh 20000;
  - Direct Labour sh 10000;
  - Factory Expenses sh 7000;
  - Administration Expenses sh 5000;
  - Selling Expenses sh 7000 and
  - Sales sh 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)
- c) State the uses of standard costing in an organization (5 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) Analyze the similarities between standard costing and budgetary control. (6 Marks)
- b) Explain four reasons why an organization is always interested in labour cost. (8 Marks)
- c) Discuss four stock control systems. (6 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)