



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, 2023/2024 ACADEMIC YEAR**  
**FOR THE CERTIFICATE IN PROCUREMENT AND SUPPLY CHAIN**  
**MANAGEMENT**  
**CPS 025- ELEMENTS OF COSTING**

Date: 10<sup>TH</sup> AUGUST 2023  
Time: 2:30PM-4:30PM

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Discuss THREE types of budget. (6 Marks)  
b) The following information relate to ZA Manufacturing company.

	Sh		
Direct Materials	45,000	Other office expenses	1,080
Direct Wages	45,000	Office rent and rates	600
Direct expenses	9,000	Salary for office managers	1,800
Indirect Material	600	Travelling expenses for salesmen	1,320
Other Factory expenses	3,420	Salaries for sales managers	4,800
Indirect factory wages	6,000	Advertisement	1,200
Rent for the factory building	3,000	Carriage outward	600
Salary for office staff	2,400		

**Required**

Cost statement showing;

- i) Prime costs. (2 Marks)  
ii) Total production. (2 Marks)  
iii) Administration costs. (2 Marks)  
iv) Total costs (2 Marks)  
c) Discuss four Characteristics of Process Costing. (8 Marks)  
d) Differences between cost and management accounting. (8 Marks)

**QUESTION TWO (20 MARKS)**

- a) Discuss FOUR Various Forms of Cost Classification and give examples of cost. (8 Marks)  
b) The following information was extracted from the books of Kabele Holdings regarding its stocks:

Reorder quantity	3,600
Reorder period	4 weeks
Maximum consumption	900 units/week
Normal consumption	600 units/week
Minimum consumption	300 Units/week
Maximum reorder period	5 weeks
Minimum reorder period	3 weeks

**Required**

Determine the following stock levels for Kabele Holdings:

- i) Re-order level (3 Marks)

- ii) Maximum stock level (3 Marks)
- iii) Minimum stock level (2 Marks)

c) Differentiate between Direct Costs and Indirect Cost. (4 Marks)

**QUESTION THREE (20 MARKS)**

a) The following information was extracted from the books of Andama traders and relates to four departments:

<u>Overhead</u>	<u>Ksh</u>
Rent	80,000
Repairs to plant	50,000
Depreciation of plant	40,000
Light and heating	20,000
Supervision	60,000
Repairs to buildings	30,000

The following additional information in respect of the four departments is also provided:

	<b>Dept. A</b>	<b>Dept. B</b>	<b>Dept. C</b>	<b>Dept. D</b>
<b>Area in square metres</b>	1,500	1,200	800	500
<b>Number of employees</b>	35	25	25	15
<b>Value of plant</b>	Ksh 500,000	Ksh 300,000	Ksh 200,000	

**Required:**

Prepare an overhead analysis sheet showing clearly the bases of apportionment. (8 Marks)

- b) Explain THREE methods of Remuneration in labour costing. (6 Marks)
- c) Describe THREE Purpose of Cost Accounting Information. (6 Marks)

**QUESTION FOUR (20 MARKS)**

- a) Discuss four types of standard costing. (8 Marks)
- b) XY Ltd sells 2 products which are manufactured in one plant. During the year 2009, it planned to sell the following quantities of each product;

		<b>Q<sub>1</sub></b>	<b>Q<sub>2</sub></b>	<b>Q<sub>3</sub></b>	<b>Q<sub>4</sub></b>
<b>PRODUCTS</b>	<b>X(Units)</b>	90,000	230,00	300,000	80,000
	<b>Y(Units)</b>	65,000	75,000	55,000	85,000

Product X sells at Kshs. 10 per unit while Y at Kshs. 20 per unit.

A study of past experience reveals that XY limited loses 3% of its billed revenue each year due to bad debts.

**Required:**

Prepare sales budget incorporating the given information. (8 Marks)

- c) State four Characteristics of Process Costing. (4 Marks)

**QUESTION FIVE (20 MARKS)**

a) Kebwaro Press Limited was asked to quote for supplying 5,000 and 25,000 booklets. The company normally expects a profit of 10% on sales.

Costs were reckoned to be:

	<u>Ksh</u>
<b>Paper and other materials,(per 1,000 copies)</b>	30
<b>Wages (per 1,000 copies)</b>	20
<b>Layout cost</b>	500
<b>Fixed overhead</b>	200
<b>Variable overhead; 12 % of wages</b>	

**Required:**

- i) Compute the cost per batch and cost per unit. (4 Marks)
- ii) Draft a cost computation showing minimum selling prices that might be quoted per 1,000 copies for each of the suppliers. (4 Marks)
- b) Discuss four advantages of standard costing. (8 Marks)

c) Describe the Budgetary Control Process.

(6 Marks)