



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, 2018/2019 ACADEMIC YEAR**  
**DIPLOMA IN BUSINESS INFORMATION TECHNOLOGY**

**DAC 1502 – COST ACCOUNTING**

Date: 16<sup>th</sup> April, 2018  
Time: 2.30pm –4.30pm

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Highlight any four weaknesses of financial accounting that lead to the development of cost accounting. (8 Marks)
- b) Differentiate between cost Accounting and auditing. (4 Marks)
- c) “In practice there is no cost that can be described as entirely and always variable or fixed” Comment on the above statement. [4Marks]
- d) Differentiate between a cost centre and a profit centre. (4 Marks)
- e) From the following prepare a cost sheet highlighting prime costs, production costs and total costs. (State any assumptions you make in your decision). Figures are in ‘000

• Administrative expenses	600	
• Materials used in produced goods	220	
• Depreciation: office equipment	5	
▪ Production machinery	29	
▪ Sales Delivery van	18	
▪ Show rooms	6	
• Direct labour costs	1550	
• Indirect factory expenses	170	
• Wages for truck driver	300	
• Salesmen’s salaries	100	
• Administrative salaries	400	
• Production staff salaries	30	
• Goods delivery expenses	50	(10 Marks)

## **QUESTION TWO (20 MARKS)**

- a) Describe your understanding of cost statement and give two benefits that a firm may realize for using a cost statement. (6 Marks)
- b) Snowline manufacturing company has provided the following information for the month of October 2017.

<u>Stocks on 1<sup>st</sup> October 2017</u>	<u>Kshs.</u>
Raw material	400,000.00
Work in progress	120,000.00
Finished goods	200,000.00
<u>Stock on 31<sup>st</sup> October 2017</u>	<u>Kshs.</u>
Raw materials	350,000.00
Work in progress	170,000.00
Finished goods	230,000.00
Purchase of new material for October	2,500,000.00
Factory wages	800,000.00
Salaries of Supervisors	300,000.00
Factory rent	100,000.00
Power	50,000.00
Sundry factory expenses	150,000.00
Office salaries	130,000.00
Sundry office expenses	70,000.00
Sales persons' salaries	180,000.00
Sundry selling expenses	60,000.00

### **REQUIRED:**

Prepare a production cost statement (4Marks)

## **QUESTION THREE (20 MARKS)**

- a) Differentiate between the following stock valuing methods:
- (i) First in first out (FIFO) and last in first out (LIFO) (4 Marks)
- (ii) Simple average and weighted average (4Marks)
- b) You are provided with the following information relating to stock

Transactions for the month of May 2017.  
May 1 Received 250 units at Sh 40 each  
May 7 Received 150 units at Sh 44 each  
May 9 Issued 200 units  
May 14 Issued 100 units  
May 19 Received 300 units at Sh 50 each  
May 24 Issued 150 units  
May 26 Received 100 units at Sh 52 each  
May 30 issued 50 units

### **REQUIRED:**

Using first in first out (FIFO) method, determine the value of stock on 30<sup>th</sup> May, 2017. Show your working well. (12 Marks)

**QUESTION FOUR (20 MARKS)**

- a) Describe break-even chart and give any three assumptions in the using of the chart. (5 Marks)
- b) The following information relates to Lengo enterprises.

Level of output UNITS	Fixed cost KSHS	Variable Cost KSHS	Total costs KSHS	Sales KSHS	Profit/loss KSHS
5,000	600,000	250,000		500,000	
10,000	600,000	500,000		1,000,000	
15,000	600,000	750,000		1,500,000	
20,000	600,000	1,000,000		2,000,000	

REQUIRED:

- (i) Complete the table above (6 Marks)
- (ii) Using the information in the table draw a break-even chart. (9 Marks).

**QUESTION FIVE (20 MARKS)**

- a) Alfa Ltd has three production departments and two service departments. The following is their budgeted factory overheads for the year ended 31<sup>st</sup>December 2017.

Production departments

A	240,000	
B	180,000	
C	<u>220,000</u>	640000

Service departments

X	86,000	
Y	<u>44,000</u>	130000

The service department costs are to be re-apportioned as per the following percentages:

	A	B	C	X	Y
X	20	30	35	-	15
Y	30	30	30	10	

Re-apportion the service department costs to the production departments using simultaneous equation method. (7 Marks)

- b) Explain the concept of the break-even point. (3 Marks)
- c) Explain the term localized purchasing and highlight the disadvantages associated with it. (10 Marks)