



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
2ND YEAR 1ST SEMESTER 2019/2020 ACADEMIC YEAR

COURSE CODE: ABA 209

COURSE TITLE: COST ACCOUNTING

EXAM VENUE: **STREAM: (BBA)**

DATE: **EXAM SESSION:**

TIME: 2 HOURS

Instructions:

- 1. Answer ALL questions in section A and ANY other 2 questions in section B**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room**

Q 1 (a) The following information relates to contract No.8/2008 which was started on January 10, 2009 and expected to last for 12 months. The Cost Accountant estimated the total cost of the contract to be Kshs 118,750. By 31 December 2009, the end of the contractor's accounting year, the costs incurred to date were as follows:

	Kshs
Labour	45,000
Materials issued to site	30,000
Overheads	50,000
Plant transferred to site (1/3/09)	2,500
Written down value of (31/12/09)	35,000

The full contract price was agreed at Kshs112,500. At 31 December, 2009,the value of work certified was Kshs 87,500 and progress payment received to date Kshs 8,750.

Required:

- i. Contract Account; (Marks 6)
 - ii. Contractee Account (Marks 6)
 - iii. Calculate the value of work-in-progress for balance sheet purpose (Marks 3)
- (b) Discuss the Advantages of cost accounting (Marks 5)

Q 2

(a) A product passes through three distinct processes (A, B, and C) to completion. During the period 15th May, 2009, 1000 litres were produced. The following information is obtained:

	Process A	Process B	Process C
	Kshs	Kshs	Kshs
Materials cost	40,000	15,000	5,000
Labour cost	20,000	25,000	15,000
Direct overhead expenses	5,000	3,000	3,000

Indirect overhead expenses for the period were Kshs 30,000 apportioned to the processes on the basis of wages. There was no work-in-process at the beginning or end of the period.

Required:

i. Calculate the cost of output to be transferred to finished goods stock and the cost per litre
(Marks 12)

(b) Discuss the importance of Cost accounting (Marks 8)

Q3 (a) The financial books of a company reveal the following data for the year ended 31st March, 2010:

Opening Stock : `

Finished goods 975 units	74,375
Work-in-process	32,000
1.4.09 to 31.3.2010	
Raw materials consumed	780,000
Direct Labour	450,000
Factory overheads	300,000
Administration overheads	295,000
Selling and Distribution Overheads	61,000
Sales 16,500 units	2,680,000
Closing Stock: Finished goods 375 units	41,250
Work-in-process	38,667

The cost records provide as under:

- Factory overheads are absorbed at 60% of direct wages.
- Administration overheads are recovered at 20% of factory cost.
- Selling and distribution overheads are charged at ` 4 /-per unit sold.
- Opening Stock of finished goods is valued at ` 104 /- per unit.
- The company values work-in-process at factory cost for both Cost Profit Reporting.

Required :

i. Prepare statements for the year ended 31st March, 2010 show the profit as per costing records.
(Marks 14)

(b) Discuss Limitations of Cost Accounting (Marks 6)

Q4 (a) The Atlantic Manufacturing Company operates a job-order cost system and applies overhead cost to jobs on the basis of direct labour cost. In computing an overhead rate for the year, the company's estimates were: manufacturing overhead cost, Ksh 480,000; and direct labour cost, Ksh 640,000. The company's inventory accounts at the beginning and end of the year were as follows:

	January 1 beginning of year)	December 31 (end of year)
Raw materials	Ksh 44,000	Ksh 36,000
Work in process	84,000	78,000
Finished goods	252,000	244,000

The following actual costs were incurred during the year:

Purchase of raw materials (all direct)	Ksh 740,000
Direct labour cost	580,000
Manufacturing overhead costs:	
Insurance, factory	35,000
Depreciation of equipment	65,000
Indirect labour	160,000
Property taxes	42,000
Maintenance	50,000
Rent, building	160,000

i. Prepare a schedule of cost of goods manufactured for the year. (Mark 6)

ii. Compute the cost of goods sold for the year. (Mark 6)

(b) Discuss four basic cost concepts of cost accounting (Marks 8)

Q5 Write notes on

i. Costing Systems (Marks 4)

ii. Costing techniques (Marks 4)

- iii. Activity based Costing (Marks 4)
- iv. Role of cost Accountant in Decision making (Marks 4)
- v. Absorption and Process costing (Marks 4)