



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN
CONSTRUCTION MANAGEMENT
2ND YEAR 1ST SEMESTER 2018/2019 ACADEMIC YEAR
MAIN CAMPUS

COURSE CODE: BBM 3411

COURSE TITLE: COST PLANNING AND CONTROL

EXAM VENUE:

DATE: DECEMBER, 2018

EXAM SESSION:

TIME: 2 HOURS

INSTRUCTIONS:

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 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.**

QUESTION ONE

- (a) **What is contract costing? Discuss the important features of contract costing.(10Marks**
- (b) The following items have been extracted from the books of a manufacturing company for the year ended 31st December 2012.
- | | |
|--|--------|
| (c) Stock of materials 1 st January at cost | 6,500 |
| (d) Raw materials purchased | 33,000 |
| (e) Stock of raw materials, 31 st December 2012 at cost | 15,000 |
| (f) Work in progress 1.1.12 | 10,000 |
| (g) Work in progress 31.12.12 | 22,000 |
| (h) Finished goods 1.1.12 | 5,000 |
| (i) Finished goods 31.12.12 | 4,000 |
| (j) Sales | 75,000 |
| (k) Carriage on purchase of raw materials | 1000 |
| (l) Rent and rates | 2000 |
| (m) Heating and lightings | 3,600 |
| (n) Factory wages-Direct 18,000 | |
| (o) -Indirect- <u>7000</u> | 25,000 |
| (p) Office salaries | 3,000 |
| (q) Depreciation of plants and machinery | 4,000 |
- (r) You are required to prepare a manufacturing, trading and profit and loss account for the year ended 31st December 2012. Rent and Rates, and heating and lighting should be apportioned in the ratio of Three to factory expenses and one to office expenses respectively. **(9Marks)**

© Describe the main cost measures that should be considered separately during the preparation of the outline cost plan

(d) Explain how cost accountant can help to control labor costs in an organization. Discuss also the problems likely to be faced by him/her while doing so. **(10Marks)**

QUESTION TWO

(a)) Define standard costing. Distinguish between budgetary control and standard costing. **(10 marks)**

(b) Mutual Construction Company Ltd won the contract for the construction of multi-storey Mbaraki College at a cost of Sh.120 million. The data relating to the contract for the year ended 31st December 2008 were as under:-

	Sh. `000`
Materials issued to site	21,500
Cost of Labour engaged on contract	3,600

Plant purchased and installed	18,000
<u>Direct Expenditure</u>	4,800
General management charges	1,750
Materials returned to store	2,500
Work Certified	25,000
Cost of work certified	7,000
Material on site on 31 st December	2,000
Value of plant on 31 st December	12,000
Wages accrued on 31 st December	300

The company had received from the client, payments amounting to Sh.20 Million.

You are required to:

(i) Prepare the contract account.(6Marks)

(ii)Prepare the contractee account.(5 Marks))

(b) Discuss in details all the desirable qualities of good accounting system. (9Marks

QUESTION THREE)

(a)From the following information. Calculate the sales variances. (10Marks

Standard selling price per unit	sh.30
Standard cost per unit	sh.25
Budgeted sales	2000 units
Actual sales (units)	2200 Units
Actual sales (value)	shs.63800

(b) Standard labour cost is:20hrs.x60 cents=Ksh 12.In a Budget period 1000 units were produced and 25000 hours were paid for, including 2000 hours idle time due to electricity failure. The wages paid amounted to Ksh 12,500.

Required

Reconcile standard labour cost with Actual Labour Cost of 1000 units **(6Marks)**

QUESTION FOUR

(a) Define contract in the context of IAS 11 and discuss the main problems of contract accounting. **(7Marks)**

(a) The Installed capacity is 60,000 units p.a. Budget at 80% level of activity is given:

	Ksh
Materials	96,000
Wages	144,000
Variable Overheads	48,000
Fixed Overheads	20,000

Required

Calculate (i) Marginal cost per unit. **(4 Marks)**

(ii) Differential cost and differential cost per unit, if production is increased to 90% capacity. **(6Marks)**

(b) Describe the methods of apportioning costs of joint products. **(5 Marks)**

QUESTION FIVE

(a) Define final accounts as used in this unit and explain clearly how it is prepared. **(10Marks)**

(b) Write short notes on the following terms as used in contract cost accounting.

- | | |
|-------------------------------------|------------------|
| (i) Percentage of completion method | (2 Marks) |
| (ii) Completed contract method | (2 Mark) |
| (iii) Retention Money | (3 Marks) |