



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS
UNIVERSITY EXAMINATION FOR DEGREE OF BACHELOR IN BUSINESS
ADMINISTRATION
2ND YEAR 1ST SEMESTER 2018/2019 ACADEMIC YEAR
NAIROBI CITY LEARNING CENTRE**

COURSE CODE: ABA 209

COURSE TITLE: COST ACCOUNTING

EXAM VENUE: 12TH FLR ROOM 1

STREAM: BBA

DATE: 03/12/2018

EXAM SESSION: 11AM -1:30PM

TIME: 2 HOURS

INSTRUCTIONS:

1. Answer question one (compulsory) and any other two 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.
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SECTION A

QUESTION ONE

- (a) Costing has been described as “a tool of industrial management”, comment on and explain the purposes of cost accounts (6 marks)
- (b) State four factors(elements of cost) (4marks)

(c) ABC Ltd gave you the following budget for November 2015

No of identical units to be produced 2000 units

Direct material 5000kg @ sh.10 per kg 50,000

Direct lab our 4000hours @sh8 per hour 32000

Direct expenses (royalty) sh 18,000

Overhead sh.48, 000

Direct machine hours 8000 to be used

Required

- (i) List six overhead absorption rates better for this particular problem, (6 marks)
- (ii) Calculate all the six absorption rates of overhead for Abc Ltd (14 marks)

SECTION B

QUESTION TWO

Define marginal costing (2 marks)

(a) The following are the data related to XYZ for the month of July 2015

Opening units (finished units) 1800 valued at sh.30 each

Sales sh. 207,000

Number of units manufactured in July 2000 units

Closing units fixed units on 31st July 2015 1500 units

Units sold in July	2300 units
Direct material cost	Sh. 30,000
Direct labour cost	Sh.22, 000
Production overhead	
Fixed	Sh.24, 000
Variable	Sh.16, 000
Administration overhead and sales	
Fixed	Sh.11, 500
Variable	Sh.23, 000

Required

Profit and loss statement for July using

- (b) Marginal cost system (8marks)
- (c) Absorption costing method (8 marks)
- (d) The rise for the difference of profit from the two methods (2 marks)

QUESTION THREE

- (a) Differentiate normal loss and abnormal loss (4 marks)
- (b) May bud ltd operates process x which creates two product A .There is no work in progress .the following information relates to process X for last month.
 - (i) 80,000 litres of materials with a total cost of sh.158,800 were input into the process and conversion costs were sh.133,000
 - (ii) A normal process loss of 5% of the input was expected. An actual loss of 5,500 litres was identified at the end of the process.

Required

- (i) Prepare the process X account for the last month showing the amount of abnormal loss (10 marks)
- (ii) Assuming that losses have a realizable value of shs1 per unit, calculate the loss to be charged to profit and loss account in the period. Show the process account as it would appear (6marks)

QUESTION FOUR

- (a) Explain the difference between fixed price contract and a cost plus contract (4marks)
- (b) The following data relates to standard and site contractors ltd

	Sh.
Materials delivered from store to site	80,000
Materials delivered to site by suppliers	120,500
Materials returned to stores	5,000
Materials returned to suppliers	8,500
Materials sold at the site	10,000
(the cost of materials sold is 7,500)	
Materials on hand at site on 31 st December	4,000
Wages paid	90,000
Wages accrued	3,000
Miscellaneous expenses spent on site	22,000

The work commenced on first July, the machine was purchased for shs, 300,000 and used for all the six months

The depreciation of the machine is 20%pa

The supervisor is paid shs.9, 000 per month and he spends 2/3 Of his time to supervise this contract and for the remaining he supervises the contract of another company.

The contract price for this work is sh. 900,000

Cost of work certified shs.460, 000

Cost of work not certified Sh. 40,000

Retention amount 10% for 3 months

Required

- (i) Prepare contractors account (10 marks)
- (ii) The contractees account (4marks)
- (iii) Real profit account (2marks)

QUESTION FIVE

Explain the differences between the following terms

- (i) Product cost and period cost
- (ii) Sunk cost and relevant cost
- (iii) Opportunity cost and differential cost
- (iv) Fixed expenses and variable expenses
- (v) Cost center and profit center