



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF LOGISTICS &
SUPPLY CHAIN MANAGEMENT
2ND YEAR 2ND SEMESTER 2019/2020 ACADEMIC YEAR

COURSE CODE: ABA 209

COURSE TITLE: COST ACCOUNTING

EXAM VENUE:

STREAM: (BLSCM)

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

- 1. Answer questions ONE 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) Explain the major differences between Cost Accounting and financial Accounting (14mks)
- b) Highlight six challenges encountered when establishing cost accounting system in an organisation. (6mks)
- c) Explain the following terms as used in cost accounting
- i. Incremental cost (2mks)
 - ii. Direct costs (2mks)
 - iii. Opportunity cost (2mks)
 - iv. Shut down cost (2mks)
 - v. Cost centre (2mks)

Question Two

The books of Tit Tat Corporation which manufactures taps shows the following information for the months ended 31st December 2013.

	Shs
Direct materials used	1,194,900
Direct labour	1,056,200
Finished inventory July 1 (100 taps)	22,100
Manufacturing expenses	476,900
Selling and distribution expenses	252,000
General and administrative expenses	84,000
Sales (12,000 taps)	3,425,000
Rebates and allowances on sales	65,000

Finished inventory December 31 – 2013 (500 taps)	
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No opening and closing work in progress

Early in August of the period under consideration an order for 300 taps was received from Butula Corporation. The company sells its taps to all the customers at uniform selling price and the same price was charged to Butula Corporation.

The company's selling and distribution expenses vary in direct proportion to the volume of net sales. In addition to its normal share of selling and distribution expenses, the following further expenses were incurred for the execution of Butula Corporation's order:

	Sh.
Commission to salesmen	5,500
Special packing cases	1,200
Insurance	800
Administrative Expenses (applicable to this order)	500

Required

A statement showing the profit or loss realised on Butula Corporation order of 300 taps. (20mks)

Question Three

A manufacturing company produces Iron sheets in the year 2013, 100,000 iron sheets bundles were produced but only 90,000 of them were sold. There were no opening and closing stock of work progress.

Production costs were as follows:

	Sh. 000's
Materials	28,000
Labour	8,000
Production overheads	<u>10,000</u>
Total	<u>46,000</u>

You are also informed that 60% of production overheads are fixed. The iron sheets are normally sold in bundles of 19 sheets. The average selling price of iron sheets was sh. 600.

Selling and administrative expenses for the year amounted to sh. 3,000,000 of which 1,200,000 were fixed.

Required

- a) Profit and loss account on marginal costing basis (10mks)
- b) Calculate the breakeven output in units and shillings (5mks)
- c) Suppose the company wants to make profits of sh. 6,300,000, then find out the level of output in units. (5mks)

Question Four

- a) Distinguish the following terms as used in budgeting.
 - i. Budgetary slack and principal budget factor. (4mks)
 - ii. Pudding the budget and rolling the budget. (4mks)
- b) Explain control measures that the management should put in place in order to improve the cash position of the company. (12mks)

Question Five

- a) Give four advantages of standard costings in the manufacturing industry. (8mks)

b) A company has budgeted to produce 2,750 articles in 22,000 hours with fixed overheads of shs. 88,000 and variable overheads of sh. 55,000=. The company's production during the period of the budget 2,704 articles in 21,500 working hours with fixed overheads costing sh. 90,000= and variable overheads sh. 58,000.

Required

- i. Overhead variance (4mks)
- ii. Fixed production overhead variance (4mks)
- iii. Variable production overhead variance (4mks)