



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF ENGINEERING**  
**UNIVERSITY EXAMINATION FOR THE BACHELOR OF SCIENCE,**  
**CONSTRUCTION MANAGEMENT**  
**4th YEAR 1st SEMESTER 2024/2025 ACADEMIC YEAR**

**MAIN CAMPUS**

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**COURSE CODE:** Cost Planning and Control

**COURSE TITLE:** BEB 9403

**EXAM VENUE:**

**DATE:**

**DURATION:** 2 HOURS

**INSTRUCTIONS**

- 1. Answer QUESTION ONE and any other TWO questions**
- 2. Show ALL your workings and be as NEAT as possible.**
- 3. Candidates are advised not to write on the question paper**
- 4. Marks allocated to each question are shown at the end of the question.**

## Question One

(a) Planning for costs is a financial decision designed to mitigate wastage and promote efficient utilization of financial resources while undertaking construction assignments.

*Required;*

Discuss **three** cost planning and financial decisions that construction managers must make while discharging their mandate (3 Marks)

(b) During a construction development seminar, a participant made the following remark: "Activity Based Costing is ideal for construction projects as it separates the costs of each project with its distinct expenses".

*Required;*

In line with the statement, highlight any three merits of using activity based costing during construction assignments. (6 Marks)

(c) With the help of relevant illustrations, bring out the distinction between the terms 'contract costing' and 'job costing' as used in cost planning and control (3 Marks)

(d) A construction company may use different accounting methods when preparing its financial statements than it does when it is preparing its income taxes.

*Required;*

Discuss any **three** such techniques and methods used while planning its revenues and expenditure (3 Marks)

(e) In the manufacture of special building blocks, Pastry Kenya Ltd undertakes two procedures before the final product is unveiled. The following information relates to the processes undertaken in the month of April, 2024;

### Process 1

Direct materials

(mixed crushed stones) Kshs.10,000 weighing 4000 kilograms

Direct Labour Kshs.12,000

## Process 2

Direct materials	Kshs.20,000
Direct Labour	Kshs.18,000

Additional information;

- (i) The firm expects loss of upto 5% of the crushed stones during the first process due to unavoidable technical procedures.
- (ii) There was no work in progress at the beginning and end of the month of April, 2024

### **Required;**

Prepare Pastry Kenya Ltd's Process 1 and 2 account schedules to present the above information. (15 Marks)

## Question Two

- (a) A construction company undertook a contract at an estimated price of Kshs.108, which includes a budgeted profit of Kshs.18. The relevant data for the year ended 31 March, 2014 are as under;

	<b>Kshs'000</b>
Materials issued to site	5,000
Direct wages paid	3,800
Plant hired	700
Site office costs	270
Materials returned from site	100
Direct expenses	500
Work certified	10,000
Progress payment received	7,200

A special plant was purchased specifically for this contract at Kshs.800,000 and after use on this contract till the end of February, 2014, it was valued at Kshs.500,000. This cost of materials at site at the end of the year was estimated at Kshs.1,800,000. Direct wages accrued as on 31 March,2014 was Kshs.110,000.

### **Required;**

Prepare the Contract Account for the year ended 31st March, 2014 (14 Marks)

- (b) Describe the difference between cost reporting and cost control. (6 Marks)

### Question Three

(a) Briefly explain the following terms as used in cost accounting:

- (i) Mixed costs
  - (ii) Cost behavior
  - (iii) Incremental cost
- (6 Marks)

(b) Using relevant illustrative examples, clearly distinguish the concept of **elemental cost planning** from that of **comparison cost planning** as used in cost planning practice.

(2 Marks)

(iv) Differentiate between the following sets of terms as used in cost classification and control:

- (i) Sunk cost and opportunity cost
  - (ii) Cost centres and profit centres
  - (iii) Direct labour costs and indirect labour costs
- (12 Marks)

### Question Four

(a) Using suitable examples, clearly explain the following terms as used in contract costing

- (i) Notional profit
  - (ii) Retention money
- (8 Marks)

(b) Bring out the full meaning of cost plus contract, with specific reference to its advantages in cost planning and control

(12 Marks)

### Question Five

(a) You are provided with the following data representing the movement of dressed stones to and from a construction site for Restive Apartments during the month of August, 2024;

<b>Date of Receipt</b>	<b>Units Received and Cost per Unit</b>	<b>Date of Issues</b>	<b>Units Issued</b>
1 August	1200 Units @ Shs.120	6 August	1000
8 August	500 Units @ Shs.125	10 August	550
16 August	200 Units @ Shs.140	25 August	400
21 August	300 units @ Shs.150		

***Required;***

Prepare a materials valuation schedule using;

(i) Last in first out method

(ii) First in first out method

(14 Marks)

(b) By comparing the answer in (a) (i) and (ii) above, discuss by justifying the uniformity or disparity in the closing stock of the two approaches to stock valuation by the firm.

(6 Marks)