



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

**UNIVERSITY EXAMINATION THE DEGREE FOR BACHELOR OF BUSINESS
ADMINISTRATION**

**2ND YEAR 2ND SEMESTER FOR 2023/2024 ACADEMIC YEAR
MAIN CAMPUS**

COURSE CODE: BAB 1206

COURSE TITLE: COST ACCOUNTING

EXAM VENUE: LAB 4

STREAM: (BBA)

DATE: 25/04/2024

EXAM SESSION: 14.00 – 16.00 PM

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. A company has an annual demand for material 'A' of 25.000 tons per annum. The cost price ton is shs.2000 and stockholding cost is 25% per annum of the stock value. Delivery cost per batch is sh 400.

Required

Calculate the economic order quantity (10 Marks)

- b. The following details were extracted ledger card of a small manufacturing company during the month of May 2013.

May 2, received 500units at shs 20 each

May 8, Received 300 units at 22 each

May 10, issued 400 units

May 15, issued 200 units

May 20, Received 600 units at shs 25 each

May 25, issued 300 units

May 27, Received 200 units at shs 26 each

May 30, issued 100 units

Standard price for each unit for the month of May is sh 24.

Market price of this material on June 3, is sh 27 per unit and 400 units were purchased on that day.

Required

Prepare a store ledger card and show the value of closing on 30th may 2013

Enter the following

- i. Finish in first out (FIFO) (7 Marks)
ii. Last in first out (LIFO) (7 Marks)
iii. Standard price (6 Marks)

QUESTION TWO

- a. Explain at least **EIGHT** main purposes of cost accounting (8 Marks)
- b. The overheads of a manufacturing company were shs 250,000 for a specific period. Total output was 50,000 units. The following information was also provided:-

Material cost	shs 500,000
Labour cost	shs 25,000
Number of machine hours	20,000

Required:

Calculate the overhead absorption rates using the following methods

- i. Units of output (2 Marks)
ii. Direct labour hours (2 Marks)
iii. Direct machine hours (2 Marks)
iv. Percentage of material cost (2 Marks)
v. Percentage of labour cost (2 Marks)
vi. Percentage of price cost (2 Marks)

(TOTAL 20 MARKS)

QUESTION THREE

a. Write a short note on cost accumulation (2 Marks)

b. Discuss the main elements of cost (6 Marks)

c. Define the following terms

- i. Operation costing (1 Mark)
- ii. Absorption costing (1 Mark)
- iii. Marginal costing (2 Marks)
- iv. Cost centre (1 Mark)
- v. Profit centre (1 Mark)

d.) A company has an annual demand for material 'P' of 25,000 tons per annum. The cost price per ton is shs.2000 and stockholding cost is 25% per annum of the stock value. Delivery cost per batch is sh 400.

Calculate

- i. The economic order quantity (3 Marks)
- ii. Calculate the economic order quantity (3 Marks)

TOTAL 20 MARKS

QUESTION FOUR

a.) From the following information, prepare a cost statement.

<u>Stock at 1st January, 2012</u>	Shs
Raw materials	45,000
Work-in-progress	22,000
<u>Stock on 31 December 2012</u>	
Raw materials	65,000
Work-in-progress	19,000
Purchase of raw materials	670,000
Carriage inwards	25,000
Return of raw materials	15,000
Direct wages	280,000
Factory rent	60,000
Power	48,000
Depreciation of plant	35,000
Supervisor's salary	55,000
Office salaries	70,000
Depreciation of office equipment	5,000
Salesmen's salaries	68,000
Delivery van expenses	27,000
Depreciation of delivery vans	18,000
Advertisement	12,000

(7 Marks)

The following information is provided for material P.Q 251

Maximum consumption 6,000 units per week

Minimum Consumption 4000 units per week

Re-order period – Lead time 4-6 weeks

Re-order quantity 30,000 units

Required:

c. Calculate

- i. Re-order level (2 Marks)
- ii. Minimum stock level (2 Marks)
- iii. Maximum stock (2 Marks)
- iv. Average stock level (2 Marks)

- d.** Give five differences between financial accounting and cost accounting (5 Marks)

TOTAL 20 MARKS

QUESTION FIVE

- a. The following information is available from a manufacturing company:-

Total overhead	shs 600,000
Total direct wages	shs 480,000
Total direct material costs	shs 500,000
Direct labour hours	shs 75,000
Direct machine hours	shs 50,000
Unit of output	shs 750,000

Calculate the following **SIX** overhead absorption rates .

- i. Units of output (2 Marks)
- ii. Direct labour hours (2 Marks)
- iii. Direct machine hours (2 Marks)
- iv. Percentage of material cost (2 Marks)
- v. Percentage of direct wages (2 Marks)
- vi. Percentage of prime cost (2 Marks)

- b. O. Robert produced 600 units in a week but 40 units were rejected. Time allowed per unit is 6 minutes. No payment is made beyond the time allowed but the bonus is paid on accepted units only. No penalty is imposed on the rejected units. O. Robert preceded 600 units in 48 hours. His wage rate per unit is Sh 15.

Required:

Calculate his total wage on, the basis of Halsey Bonus scheme. (8 Marks)

TOTAL 20 MARKS

QUESTION SIX

- (a) What is a variance (1mark)
- (b) Highlight possible causes of labour rate variance (3 marks)
- (c) ABC Company limited manufactures and sells product CD. The company operates a standard marginal costing system. The standard cost for C D includes the following

	Shs. Per unit
Direct material	20
Direct labour (6 hours @Shs.7.50 per hour)	45
Variable production overheads	<u>27</u>
	<u>92</u>

The budgeted and actual activity levels for the last quarter were as follows:

	Budget (units)	Actual (units)
Sales	20,000	19,000
Production	20,000	21000

The actual costs incurred last quarter were:

	Shs.
Direct material	417,900
Direct labour (124 950 hours)	949,620
Variable production overhead	565,740

Required Calculate

- (i) Direct material price variance and volume variance (6 marks)
- (ii) Direct labour rate and efficiency variance (5 marks)
- (iii) Total variable production overheads variance (5 marks)

TOTAL 20 marks