



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY  
SCHOOL OF BUSINESS AND ECONOMICS  
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS  
ADMINISTRATION WITH IT /BACHELOR OF EDUCATION ARTS WITH IT  
2<sup>ND</sup> YEAR 2<sup>ND</sup> SEMESTER 2024/2025 ACADEMIC YEAR  
MAIN CAMPUS**

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**COURSE CODE: BAB 1206**

**COURSE TITLE: COST ACCOUNTING**

**EXAM VENUE: LAB 4**

**STREAM: BBA & BED (ARTS) WITH IT**

**DATE: 15/04/2025**

**EXAM SESSION: 9.00 – 11.00 AM**

**TIME: 2 HOURS**

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**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) Cost accounting is often described as the provision of information required by management for specific purposes. Briefly, explain any five of these specific purposes. (10Marks)
- b) Zawadi Health Centre has a capacity of 20 beds. The following information relates to the Centre's operations for the year ended 30<sup>th</sup> June 2024.

	Kshs.
Repairs and maintenance (Fixed )	150,000
Rent per Month (Fixed)	225,000
Food supplied to patients (variable)	1,080,000
Laundry Charges(Variable)	540,000
Medicine (Variable)	900,000
Other expenses(Fixed)	1,080,000
Salaries per Month :	
Supervisors	30,000
Nurses	30,000
Ward assistants	15,000

**Additional information:**

1. The health Centre operated for 300 days during the year. For 200 days the bed occupancy accounted for 100% while the rest of the period accounted for 80% occupancy.
2. The health Centre engaged external doctors to attend to patients at an average fee of Kshs. 300,000 per month. The doctor's fees were paid on the basis of the number of patients attended by them.
3. During the year, 2 supervisors, 4 nurses and 2 ward assistants were engaged throughout.

**Required;**

- i. Determine the charge per day per patient (6 Marks)
  - ii. Determine the number of patient days required to Break Even Point (4 Marks)
- c) FEFRA Timber Limited manufactures hard fiber boards and the following information relates to the Month ended September 2024.

- i. Opening stock included 5,500 boards which were bought at Kshs.5,200 per unit
- ii. Sales during the period were 52,000 boards.
- iii. The company produced 53,000 boards during the period and incurred the following costs:-

Description	
Direct Materials (Kshs)	77,720,000
Direct Labour(Kshs)	160,000,000
Factory Overheads	25% of direct labour costs
Selling and distribution expenses	25% of sales
Administration expenses	10% of total production cost

iv) The selling price per board is Kshs.10,000

v) The company uses the last-in first- out (LIFO) method of inventory costing.

**Required.**

1. Determine the value of the closing inventory (5 Marks)
2. Income statement for the period ended 30<sup>th</sup> September 2024. (5 Marks)

**QUESTION TWO**

- a) The information given below relates to FEFRA Limited which manufactures a single type of chemical products in Mombasa County. Overhead processing costs for the last 8 months have been as follows:-

Month	Machine Hours	Overhead costs in (Kshs “000”)
1	10,600	120
2	17,000	180
3	4,000	70
4	21,000	184
5	19,000	178
6	7,800	100
7	14,000	172
8	12,000	154

**Required**

Using the equation  $Y = a + bx$  determine;

- i) High- Low Method (3 Marks)
- ii) Regression analysis Method (4 Marks)

b) "Cost accounting and financial accounting are distinguishable based on definition, mode of accounting, regulation and information used." Discuss. (8 Marks)

c) Enumerate any Five reasons for holding inventory in organizations today (5 Marks)

**QUESTION THREE**

- a) Triple K Limited manufactures a single product "Zed" for sale on the local and international markets. The cost structure per unit of product "Zed" is as follows:-

**Direct Materials**

Materials A: 6 kg at Kshs. 7.50 per kg

Materials B: 5 kg at Kshs.5 per kg

Direct labor hours 2 hours at Kshs.25 per hour

Variable overheads (including machine time): Ksh.40 per unit

Fixed overheads: Kshs. 60 per unit.

**Additional information:**

- i. The current sales level for the company amounts to Kshs. 800,000.
- ii. The fixed overheads per unit have been calculated based on the current sales level of 4,000 units.

**Required:**

- i. Sales price per unit (4 Marks)
- ii. Current profit or loss (3 Marks)
- iii. Breakeven point (BEP) in both units and Kshs. (3 Marks)
- b) Briefly explain the following methods of cost estimation
  - i) Industrial engineering (3 Marks)
  - ii) Graphical Method (4 Marks)
  - iii) Accounting analysis (3 Marks)

**QUESTION FOUR**

- a) FEFRA Limited uses 14,450 units of material X each year which costs Kshs. 120 for each unit. The cost of placing an order is Kshs.80 for each order. The cost of holding inventory each year is 10% of the purchase cost. The supplier will offer a price discount of Kshs.8 for orders of 500 upto 1000 units, and a discount of Kshs.16 for orders of 1000 or more.

**Required:**

Determine the order quantity that will minimize the total costs.( **Clearly show the workings**).  
(10 Marks)

b) A responsibility Centre is a department or an organization function whose performance is the direct responsibility of a specific manager. Citing relevant examples explain the various centers  
(10 Marks)

**QUESTION FIVE**

a) Mackfe limited manufactures refined food products which undergo two processes as shown below:-

<b>Process 1</b>	<b>Amount in Kshs.</b>
Material cost(input 2,000 kg)	20,000
Labour cost	40,000
Overheads are 50% of labor costs	
Normal loss is 5%	
Actual output to process 2 (1850 units)	
Scrap value of losses	Ksh. 2 per unit
<b>Process 2</b>	
Input from process 1(1850 units)	
Added materials	10,000
Labour costs	15,000
Overheads absorbed at 100% of labor costs	
Normal loss 6% of input	
Actual loss to finished goods (1750 units)	
Scrap value of losses	Ksh.3 per unit

**Required:**

- i. Prepare process account 1 together with the abnormal loss or gain and scrap account  
(7 Marks)
  - ii. Prepare process account 2 together with the abnormal loss or gain and scrap account  
(7 Marks)
- b) Enumerate any **six** problems encountered when installing a new cost accounting system in business organizations today.  
( 6 marks)