



MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

SECOND YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE

BAC 202: COST ACCOUNTING 1

DATE: 27/11/2020

TIME: 8:30 – 10:30 AM

INSTRUCTIONS:

Answer question one and any other two questions.

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Jembe manufacturing company provides the following information for the month of January 2020.

Stock on 1 st January 2020	Shs
Raw materials	20,000
Work-in-progress	6000
Finished goods	10,000
Stock on 31 st Jan 2020	
Raw materials	17,500
Work-in-progress	8,500
Finished goods	11,500
Purchases of raw materials for January	125,000
Factory wage	40,000
Salaries of supervisors	15,000
Factory rent	5,000
Power	2,500
Sundry factory expenses	7,500
Office salaries	6,500
Sundry office expenses	3,500
Salesman's salaries	9,000
Sundry selling expenses	3,000
Sales	250,000

Required:

- i. Prepare a production cost statement (10 marks)
- ii. Prepare a profit statement (12 marks)
- b) Outline the procedure that may be followed in installing a cost accounting system. (8 marks)

QUESTION TWO (20 MARKS)

- a) Makonkolo company has three production departments, X, Y and Z and two service departments S1 and S2. The following overheads for the company for the month of December 2019 were as follows;

Production Departments	Shs.
X	14,500
Y	10,000
Z	14,500
Service Departments	
S1	5,000
S2	3,900

The service departments expenses are charged on a percentage basis as follows;

Service department	X	Y	Z	S1	S2
S1	30%	30%	20%	-	20%
S2	40%	25%	25%	10%	-

- Prepare a statement showing the total overhead chargeable to the three production departments by using simultaneous equation method (12 marks)
- b) Explain four disadvantages of piece rate method of computing wage. (8 marks)

QUESTION THREE (20 MARKS)

- a) The following information on manufacturing overheads relates to Maneno company for the year 2018.

Month	Output level (units)	manufacturing overhead (shs)
January	2,300	29,000
February	2,250	28,000
March	2,750	30,000
April	4,000	49,000
May	2,600	32,000

Using High-low method calculate the total cost to be incurred if 4500 units were produced in the month of June, 2018. (12 marks)

- b) Explain four bases of cost classification in cost accounting. (8 marks)

QUESTION FOUR (20 MARKS)

- a) Under a premium bonus scheme, workers of Black smith company Ltd receive a guaranteed basic hourly minimum rate of pay plus a bonus of 50% of the time saved. No payment is paid beyond the time allowed but the bonus which is paid at the basic hourly rate is applicable to the accepted output only. No penalty is imposed on rejected output. The following details are available for the month of February 2020, for three workers; P, Q and R.

Worker	P	Q	R
Time allowed per unit (hrs)	¼	1/6	½
Units produced	474	684	175
Units rejected	54	84	25
Time taken (hrs)	78	72	80
Basic Pay per hour (Kshs)	6	6	3

Required

From the above information calculate for each employee

- i. Bonus hours and amount of bonus paid (5 marks)
 - ii. Gross wages earned (5 marks)
 - iii. Labour cost for each good unit sold (5 marks)
- b) Explain five objectives of stock control. (5 marks)

QUESTION FIVE (20 MARKS)

- a) The following information relates to the activities in the production department for the month of December 2019.

Direct wages	sh. 200,000
Direct materials	sh. 400,000
Labour hours worked	40,000
Machine hours used	10,000
Total overhead chargeable to the department	sh. 300,000.

On job number XZ11U produced in the department during the period, the relevant data was as follows;

Direct wages	sh. 10,000
Direct materials	sh. 24,000
Labour hours worked	1,800
Machine hours used	500

Calculate the total cost of job number XZ11U using the following methods of overhead absorption.

- i) Direct material
 - ii) Percentage of prime cost
 - iii) Direct machine hours.
 - iv) Direct labour hours. (12 marks)
- b) Explain the conditions necessary for an effective cost accounting system. (8 marks)