MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year
SCHOOL OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING BANKING AND FINANCE
SECONDD YEAR FIRST SEMESTER EXAMINATION FOR
DIPLOMA IN BUSINESS MANAGEMENT
DIPLOMA IN SUPPLIES
COST & MANAGEMENT ACCOUNTING

DATE: 2/11/2020   **TIME: 8:30 – 11:30 AM**

INSTRUCTIONS:

Answer all the questions.

1.   The total maintenance costs and machine hours of Jumbo Limited for ten months were as follows

Month	Machine hrs	Maintenance Cost
Jan	400	960
Feb	240	880
Mar	80	480
Apr	400	1200
May	320	800
June	240	640
July	160	560
Aug	480	1200
Sept	320	880
Oct	160	440

Using Regression Analysis Method, calculate the.

a)   Fixed cost for the firm.

b)   Variable costs per unit of the firm.

c) Estimate the cost for the month of December if 173 machine hrs are to be utilized.

2. Distinguish between each of the following set of terms giving examples.

   a) Fixed cost and variable costs

   b) Direct costs and indirect costs.

   c) Product costs and period costs.

   d) Controllable costs and uncontrollable costs.

   e) Avoidable costs and unavoidable costs.

3. Manyani enterprises does the following information for the month of January 2020.

	Jan 1	Jan 31
	Sh	Sh
Stock of Raw Material	60,000	55,000
Stock of WIP	30,000	25,000

Transactions during the month

Purchase of raw materials	650,000
Manufacturing wages	320,000
Factory supervision	80,000
Sales commissions	33,000
Repairs of factory buildings	65,000
Depreciation	22,000
Insurance of plant	16,000
Administration expenses	42,000
Carriage outwards	20,000
Returns of Raw materials	15,000

Required:

Prepare a cost statement for the month of January (20 marks)

4. Witu manufacturers produces product "peak". The following data is available in relation to the material for the month of October 2019.

October 2: Opening balance 6000 units @ sh 120

   4: Purchases 5200 units @ sh 125

   7: Purchases 7145 Units @ sh 132

9: Issued 8750 units

12: Purchased 6150 units @ sh 137

15: Issued 2300 units

17: Issued 5055 units

20: Purchased 4317 units @ sh 139

22: Issued 1399 units

24: Issued 3078 units

26: Purchased 4231 units @ sh 141

30: Issued 3012 units

Required:

Using the last in first out (LIFO) method of stock valuation, prepare a stock ledger account and determine the value of closing stock.(10 marks)

5.   a)   State the disadvantages of work measurement.   (3 marks)

        b)   State the disadvantages of FIFO method of stock valuation.   (3 marks)

        c)   State the advantages of graphical method of cost estimation.   (4 marks)

6.   The following data relates to Tech Ltd for the year ending December 2019.

        For photocopying department

Month.	No of copies	Total costs(sh)
Jan	690	2250
Feb	669	2190
Mar	715	2300
Apr	592	2000
May	594	2010
June	630	2100

        a)   Formulate a predicate equation in the form $y = a + bx$. Using high low method.

        b)   Predict the cost of producing 679 copies in the month of January 2020(10 marks)

7.   Kiro distributors buys and sells product K 45. The following transactions relate to the product for the first five months of the year 2019.

Purchases Sales

Date 2019	Units	Unit cost (sh)	Date 2019	Units	Amt prize(sh)
Jan 2	90	600	Jan 28	72	775
Feb 5	90	700	Feb 28	48	800
Mar 3	30	750	March 30	30	800
Apr 4	30	750	April 29	55	900
May 5	60	800	May 31	40	900

Using first in first out(FIFO) method, prepare

    a)   A store ledger account

    b)   Trading account for the five months ended 31st May 2019.

8.   a)   State the reasons why organizations hold stock.

    b)   Differentiate between cost accounting and management accounting.