



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

SECOND YEAR SECOND TERM EXAMINATION FOR

DIPLOMA IN BUSINESS MANAGEMENT

DIPLOMA IN SUPPLY CHAIN MANAGEMENT

COST ACCOUNTING

DATE: 7/6/2021

TIME: 8.30-11.30 AM

INSTRUCTIONS:

Answer any FIVE questions

Show all your working

All questions carry Equal marks

The questions should be answered in English

QUESTION ONE

- a) Explain the following terms
- i. Cost unit
 - ii. Cost center
 - iii. Profit center
 - iv. Cost (8 marks)
- b) Witu Manufacturers produces product A using material Z. The following data is available in relation to the month of October 2013.
- | | | |
|---------|-----|--|
| October | 2: | opening balance 6000 units @ sh 120 each |
| | 4: | purchased 5200 units @ sh 125 each |
| | 7: | purchased 7145 units @ sh 132 each |
| | 9: | issued 8750 units |
| | 12: | purchased 6150 units @ sh 137 each |
| | 15: | issued 2300 units |
| | 17: | issued 5050 units |
| | 20: | purchased 4317 units @ sh 139 each |

- 22: issued 1399 units
- 24: issued 3078 units
- 26: purchased 4231 units @ sh 141 each
- 30: issued 3012 units

Required:

Using First In First out (FIFO) method of stock valuation, prepare a stock ledger account to determine the value of closing stock (12 marks)

QUESTION TWO

- a) Costs can be classified for decision making purposes. Using relevant examples, explain FIVE types of costs (10 marks)
- b) Mutai completed a job in 45 hours for which 60 hours were allowed. His wage rate per hour is sh. 16. Calculate Mutai's total wage according to;
 - i. Halsey scheme
 - ii. Halsey Weir scheme
 - iii. Rowan scheme (10 marks)

QUESTION THREE

- a) Explain the differences between cost accounting and financial accounting (5 marks)
- b) A company has an annual demand for material 'Z' of 25000 tons per annum. The cost price per ton is sh. 2000 and the stock holding cost is 25% per annum of the stock value. Delivery cost per batch is sh. 400. Calculate the economic order quantity (5 marks)
- c) The following information is provided for material Zed
 - Maximum consumption = 6000 units per week
 - Minimum consumption = 4000 units
 - Reorder period/ lead time = 4- 6 weeks
 - Reorder quantity= 30, 000 units

Required

Calculate;

- i. Re order level
- ii. Minimum stock level
- iii. Maximum stock level
- iv. Average stock (10 marks)

QUESTION FOUR

- a) What are overheads? Explain different categories of overheads (8 marks)
- b) The accounts of ABC Manufactures Ltd. for the year ended 31st December 2010 show the following:

	Rs.
Stock of Material on 1.1.88	6,720
Materials Purchased	1,50,000
Materials returned to suppliers	2,000
Direct Labour	50,000
Direct Expenses	20,000
Factory Expenses	15,300
Office & Administrative Expenses	8,000
Selling & Distribution Expenses	7,900
Stock of Materials on 31.12.88	7,720
Profit	10,000

Determine;

- i. Materials consumed
 - ii. Prime cost
 - iii. Work cost
 - iv. Cost of production
 - v. Total costs
 - vi. Sales
- (12 marks)

QUESTION FIVE

- a) Explain the features of an effective cost accounting system (8 marks)
- b) From the following information, prepare a payroll for the month on May 2010

Clock number	card	Name	Number of hours worked	Pay rate (sh)	Advance Paid (Sh)
012		Robert	180	10/hr	500
016		Mwangi	200	14/hr	700
011		Alex	190	12/hr	600
015		Joseph	210	10/hr	800
013		Wachira	200	16/hr	800
014		Paul	170	13/hr	500

Additional information;

- i. Normal working hours for the month are 180. Overtime payable for the extra hours at the rate of 50% above the normal rate
- ii. P.A.Y.E to be deducted at a rate of 10% of gross wage
- iii. N.S.S.F to be deducted sh 80 for each employee
- iv. N.H.I.F to be deducted sh 20 for each employee (12 marks)

QUESTION SIX

- a) “Cost accounting is a tool of managerial planning and control”. Explain the statement. (6 marks)
- b)
 - i) What do you understand by overtime premium? (2 marks)
 - ii) What are the effects of overtime on productivity and cost? (5 marks)
- c) Production sections of a factory working on a job order system pay their workers under the Rown Premium Bonus Scheme. Workers are also entitled to a dearness allowance of \$25 per week of 48 hours.

A worker’s basic wage is \$4 per day of 8 hours and his timesheet for a week is summarized below:

Job No.	Time Allowed	Time Taken
1	25 hours	20 hours
2	30 hours	20 hours

Idle time (waiting) 8 = hours.

Required: Calculate Gross Wages he has earned for the week. (7 marks)