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**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2017/2018 ACADEMIC YEAR**

**SECOND YEAR SECOND SEMESTER**

**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 224**

**COURSE TITLE: COST ACCOUNTING**

**DATE: 06/08/2018 TIME: 2.00 – 4.00 P.M**

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**INSTRUCTIONS TO CANDIDATES**

Answer Question One in Section A and Any other TWO (2) Questions in Section B  
TIME: 2 HOURS

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over.

**SECTION A**

**QUESTION ONE (COMPULSORY)**

- a) Explain any five ways of distinguishing Financial Accounting and Cost Accounting (10 marks)
- b) Differentiate between (2marks)
- i. Sunk cost and differential cost
  - ii. product cost and period cost (2marks)
- c) Discuss four advantages of standard costing (4 marks)
- d) HZ Construction Company acquired a contract for the construction of a dual carriage way from Nairobi at a cost of 200M. The data relating to the contract for the year ended 31/12/2009 was as follows.

Particulars	Sh''000''
Material issued to site	80,000
Material purchased locally	15,700
Direct wages paid	5,800
Direct wages accrued	350
Plant purchased and installed	48,800
Direct expenses paid	1,780
Direct expenses accrued	70
Electricity charges	180
Materials returned to store	850
Work certified	150,000
Cost of work not certified	3,800
Material in site at 31/12/2009	5,330
Value of plant on 31/12/2009	41,500

The company had received from the direct payment amounting to 126 Million. Required

- (i) Contract Account (4 marks)
- (ii) Certificate account (8 marks)

**SECTION B (ANSWER ANY TWO QUESTIONS)**

**QUESTION TWO**

Company ABC has three production departments A, B and C and two service departments X and Y. The following information has been provided:

Production Department	Cost (sh.)
A	6,000
B	7,200
C	8,600

Service Department	Cost (sh.)
X	2,800
Y	4,400

The service department costs are apportioned as follows:

	X	Y
A	30%	30%
B	10%	40%
C	20%	10%
X	-	20%
Y	40%	-

**Required:**

Determine total costs in the ABC Ltd using simultaneous equation method

(20 marks)

**QUESTION THREE**

XYZ Limited produces a range of products which includes a soft drink which passes through three processes before completion and transfer to finished stocks store. During the Month of October 2012, the following data was obtained from the records of the company.

	PROCESS			
	X	Y	Z	TOTAL
	Sh.	Sh.	Sh.	Sh.
Basic raw materials (60,000 units)	36,000	-	-	36,000
Direct material added in process	53,100	57,000	33,000	143,100
Direct wages	24,000	36,000	72,000	132,000
Direct expenses	7,200	1,440	13,080	21,720
Production overheads				99,000
Output (units)	55,200	52,200	47,400	
Normal loss in process of input	10%	5%	10%	
Scrap value per unit (Shs.)	1.2	3.0	6.0	

Additional information:

- i. Production overheads is absorbed as a percentage of direct wages
- ii. There was no stock at the beginning or closing of any processes

**Required:**

- i. Prepare separate process X, Y and Z accounts (10marks)
- ii. Prepare the Abnormal loss and Abnormal gain accounts (4marks)
- iii. Highlight six features of process costing (6marks)

**QUESTION FOUR**

Bidii Company manufactures a single product using standard costing. The standard costs are as follows:-

	Sh.
Direct Material: Material X (3kg@sh.10)	30
Material Y (5kg@sh.5)	25
Direct labour: (5hours @ sh.8)	40



Variable production overhead based on labour hours sh.6	30
Fixed production overhead based on labour hours sh.4	<u>20</u>
	<u>125</u>

In May 2006, the Company budgeted 10,000 units but produced 11,000 units. Actual costs were as follows:-

	Shs.
Material cost: Material X (39,000kg)	323,000
Material Y (52,000kg)	312,000
Labour cost (51,000 hrs)	433,500
Variable production overheads	340,000
Fixed production overheads	<u>220,000</u>
	<u>1,628,500</u>

**Required:**

Calculate the following variables indicating whether Favorable or Adverse.

- |   |           |
|---|-----------|
| i. Material Price Variance and Usage Variance   | (5marks)  |
| ii. Labour rate and Efficiency Variance         | (3marks)  |
| iii. Total variance and Fixed overhead variance | (12marks) |

**QUESTION FIVE**

Nixon an automobile technician has been operating a garage in Mombasa for the past two years. A year ago he converted part of his garage to a welding shop making and selling metal doors and windows. He had anticipated that the cost of the welding shop would primary be final but has realized that the welding cost increased with the increase in number of welding job assignments. The costs of welding job assignments are as follows:

Period	No. of welding job assignments	Total cost
Sep 2008	28	70
Oct 2008	80	86
Nov 2008	124	11
Dec 2008	100	96
Jan 2009	60	72
Feb 2009	92	91
Mar 2009	86	88
Apr 2009	120	26

**Required:**

- a) formulate an equation to estimate the total cost of the welding shop and compute the cost of undertaking 1256 assignments using simple linear regression method (15 marks)
- b) determine the strength of the relationship between the two variables and comment on your answer (5marks)