



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR

SPECIAL/SUPPLEMENTARY EXAMINATION
FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DAB 100

COURSE TITLE: COST ACCOUNTING

DATE: 29TH SEPTEMBER, 2021 TIME: 8.00AM-10.00AM

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 6 Printed Pages. Please Turn Over.

SECTION A

QUESTION ONE (COMPULSORY)

1(a) Give two definition the term Cost Accounting

(4marks)

(b) Write briefly on the six Assumptions of break-even analysis

(12 marks)

(c) Mugo & wafula Co limited has been awarded a contract to build a house. This is a contract No 545 for the company and the contract price is shs.3.65 million. At the end of the company's financial year, the contract was 85% complete and hence regarded as being near completion. You are also provided with the following information about the contract:

Particulars	Shs.
Materials purchased and delivered	780,000
Materials issued from store	80,000
Materials returned to stores	10,000
Site expenses	400,000
Site wages	300,000
Plant sent to site	150,000
Architect's fees	45,000
Plant returned from site	20,000
Subcontractor's fees	125,000
Head Office overheads absorbed	80,000

Valuation at the year ending disclosed the following:

	Shs
Materials:	29,500
Plant on site	60,000
Work done but not yet certified	70,000

Additional Information

1. The portion of the work which was completed during the year and certified by the architect was assessed as representing 75% of the whole contract price. The contractee made payments to this extent less 10% retention money.
2. The management of the company decided for the purpose of preparing the company's annual accounts to make a provision of a third of the national profit against the possibility of defects and other contingencies arising later in respect of the work already certified for payment.

Required

- a) The contract account
 - b) Amount of profit or loss to be taken to the main profit and loss account of the company.
 - c) Value of work in progress.
- (14Marks)

Section B: Choose Any Two QUESTIONS

QUESTION TWO

- (a) Use pareto analysis to identify the three classes of items (6 marks)

- (b) XYX Company Limited a supermarket located in the CBD of Bungoma Town handled the following items in the month of June 2019

Receipts			Issue		
Date	Units	Price	Date	Units	Price
1/6/19	100	4000	2/6/19	80	4000
7/6/19	200	4000	8/6/19	180	4000
12/6/19	250	4000	14/6/19	220	4000
20/6/19	150	4000	22/6/19	200	4000

Required:

Determine the cost of units used and the value of the closing stocks using FIFO, LIFO and Weighted Average. (14 Marks)

QUESTION THREE

(a) What are the objectives of Budgetary planning (10 marks)

(b) Write briefly on FIFO as a method of stock valuation (10marks)

QUESTION FOUR

The following transactions were made by Unga Feeds limited in the month of March.

Direct Materials

- 8,000/= was bought on credit, out of these, materials worth 5,000/= were returned to the suppliers.
- 50,000/= was issued from the store
- Indirect materials issued amounted to 5,000/=
- Direct wages allocated to production amounted to 20,000/=
- Goods worth 200,000/= were sold
- Finished goods worth 100,000/= were transferred to the store.
- The cost of goods sold was 140,000/=
- Unpaid indirect expenses were 32,000/=
- Indirect wages allocated amounted to 15,000/=
- Non-manufacturing overheads incurred amounted to 20,000/=
- Overhead expenses charged to the jobs – 60,000/=

Required

- a) Prepare the stores ledger control A/c
- b) Factory overhead control A/c
- c) W.I.P. control A/c
- d) Costing P & L A/

(20 Marks)

QUESTION FIVE

The following information related to the proposed budget for K.K Ltd for the months ending 31 December 1996.

Month	Sales	Material Purchases	Wages	Production Overheads	Administration Overheads
	Sh. '000'	Sh. '000'	Sh. '000'	Sh. '000'	Sh. '000'
July	72000	250000	10000	6000	55000
August	97000	31000	12100	6300	6700
September	86000	25500	10600	6000	7500
October	88600	30600	25000	6500	8900
November	102500	37000	22000	8000	11000
December	108700	38800	23000	18200	11500

Additional Information

1. Depreciation expenses are expected to be 0.5% of sales.
2. Expected cash balance in hand on 1 July 1996 is Sh. 72,500,000
3. 50% of total sales are cash sales
4. Assets are to be acquired in the months of August and October at Shs. 8,000,000 and Shs. 25,000,000 respectively
5. An application has been made to the bank for the grant of a loan of Shs. 30,000,00 and it is hoped that it will be received in the month of November
6. It is anticipated that a dividend of Shs. 35,000,000 will be paid in December
7. Debtors are allowed one month's credit
8. Sales commission at 3% on sales is paid to the salesmen each month

Required

A cash budget for the six months ending 31 December 2003.