



*(Knowledge for Development)*

**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2020/2021 ACADEMIC YEAR**

**THIRD YEAR SECOND SEMESTER**

**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: COST ACCOUNTING**

**COURSE TITLE: BBM224**

**DATE:** 4<sup>th</sup> OCT, 2021 **TIME:** 9.00 - 11.00 A.M

**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 8 Printed Pages. Please Turn Over.

### QUESTION ONE (30mks)

- a) Distinguish between cost accounting and financial accounting (4mks)
- b) The following information relates to item P0031 stocked by 2010 products ltd. For the month of April 2010.

Date (April )	Receipts units	Issues units	Unit cost (shs)
3	2400		18
4		3200	
6	2600		20
12		2700	
14	3000		22
18	2800		21
20		2200	
22	2600		
25		3800	
26	3100		24
27	2500		25
28	3200		26
29		6900	

The closing stock for March 2010 was a batch of 3000 units received at a unit price of ksh.19.

Required:

- i) Stores perpetual inventory for item P0031 for May under the LIFO system of stores issues (14mks).
- ii) Closing stock valuation (6mks)
- c) Distinguish between the following cost accounting terminologies
- i) Direct and indirect costs (2mks)
- ii) Cost centre and cost unit (2mks)
- iii) Joint products and by-products (2mks)

### QUESTION TWO (20mks)

a) Panda Ltd operates a factory which has 15 direct workers. Employees are paid a basic wage rate of Ksh350 per hour. The normal working hours per week is 40 hours. During the week ended 5<sup>th</sup> April 2016, the total time worked by direct workers was 690 hours. Overtime is paid at time rate and a third. Overtime is worked to meet general production requirements. Twenty hours of direct workers' time were regarded as idle time.

For the week ended 5<sup>th</sup> April 2016, calculate:

- i) Basic wages.
- ii) Overtime wages

- iii) Gross wages.
  - iv) Direct wages
  - v) Indirect wages (12mks)
- b) Explain four bases used in absorbing overheads. (8 marks)

### QUESTION THREE (20mks)

- a) Identify and give examples of each of the three basic cost elements involved in the manufacture of a product. (10 marks)
- b) ABC Ltd has an aggregate demand of 1.2 million units. Each time they place an order, there is an ordering cost of Shs.1,000, holding cost is Shs.100 per unit. Determine:
- i) EOQ (4mks)
  - ii) No. of order to be made based on EOQ (3mks)
  - iii) Total cost of stocks based on the EOQ (3mks)

### QUESTION FOUR (20mks)

Write brief notes on the following:

- a) Fixed and flexible budgets (10mks)
- b) Controllable and uncontrollable costs (10mks)

### QUESTION FIVE

Two popular approaches that involve allocation of expenses include LIFO and FIFO.

- a) Differentiate between the two approaches. ( 10 marks)
- b) Explain key cost areas for a manufacturing firm of your choice. ( 10 marks)