



*(Knowledge for Development)*

**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2020/2021 ACADEMIC YEAR**

**FIRST YEAR SECOND SEMESTER**

**SPECIAL/SUPPLIMENTARY EXAMINATION**

**FOR THE DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DAB 100**

**COURSE TITLE: COST ACCOUNTING**

**DATE: 16<sup>TH</sup> FEBRUARY, 2021**

**TIME: 8.00 AM - 10.00AM**

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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

KIBUCO observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over. ►

## SECTION A ( COMPULSORY)

### QUESTION ONE

a) Ardhi co. is considering the type of remuneration scheme to adopt for its employees, the following information is availed to you for your analysis.

	Mambo	saidi	Mbogo
Actual hours worked	38	36	40
Hourly rate of payshs	30	20	25
Output units A	42	120	—
B	72	76	—
C	92	—	50

	A	B	C
Std time allowed per unit minutes	6	9	15

For the calculation of piecework earnings the company values each minute at the rate of shs.0.5

#### **Required**

Calculate the earnings for each employee using

- i) A basic guaranteed hourly rate (3mks)
  - ii) Piecework rates (3mks)
  - iii) Premium bonus, given that an employee earns the premium bonus at the rate of two thirds of the time saved (4mks)
- b) Distinguish between cost accounting and financial accounting (6mks)
- c) 'In practice there is no cost that can be described as entirely and always variable or fixed.'  
Comment on the above statement (4mks)

d) Write short notes on

- i)Material cost (2mks)
- ii)Labour cost (2mks)
- iii)Overhead cost (2mks)
- iv)Non- manufacturing costs (2mks)
- v) Relevant cost (2mks)

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

**QUESTION TWO**

- a) Explain the term budgetary control and state its importance to a business firm. (10 mks)
- b) State and briefly explain the limitations of budgets in the management of business firms.(10 mks)

**QUESTION THREE**

Briefly distinguish between the following terminologies used in cost accounting clearly stating the importance of the distinction for decision making purposes:

- (a) Controllable costs and non-controllable costs (4 marks)
- (b) Fixed costs and marginal costs (4 marks)
- (c) Discretionary costs and periodic costs (4 marks)
- (d) Cost tracing and cost accumulation (4 marks)
- (e) Sunk costs and standard (planned) costs (4 marks)

**QUESTION FOUR**

By way of explanatory notes, briefly state why you agree or do not agree with the following statement:

- a) Variable costs are always relevant costs while fixed costs are not. (3 Marks)
- b) The book value of an asset is irrelevant in decision making. (3 Marks)
- c) Variable costs and differential costs mean the same thing. (3 Marks)
- d) If a product line generates a loss, that product line should be dismissed. (3 marks)
- e) The term forecast can be used to mean budget. (2 marks)
- f) When a graph is plotted to show the effect of activity on the cost, using an economic total cost curve and an account cost curve, the behaviour pattern of both curves are the same. (3 Marks)
- g) Opportunity cost of a resource and an opportunity cost of an activity mean the same thing. (3 Marks)

**(Total: 20 marks)**