KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER

SPECIAL/SUPPLEMENTARY EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 224

COURSE TITLE: COST ACCOUNTING

DATE: 27TH JULY,2022 **TIME: 2.00PM – 4.00PM**

INSTRUCTIONS TO CANDIDATES

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

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B

2. Question **one** carries **30**marks and each of the other two questions carry **20** marks each.

TIME: 2 HOURS

KIBU observes ZERO tolerance to examination cheating

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

QUESTION ONE (COMPULSORY)(30MRKS)

a) Explain six differences between cost accounting and financial accounting (12marks)

b) Analyse Three (3) factors that should be taken into consideration before setting up an effective cost accounting system (6marks)

c) Differentiate between the following cost classifications:

i. Fixed costs and variable costs (2marks)

ii. Controllable costs and uncontrollable costs (2marks)

iii. Relevant costs and Sunk costs (2marks)

d)Explain in detail the three elements of process costing. (6marks)

QUESTION TWO

Tuti limited has been awarded a contract to build a warehouse. The contract price is Ksh.3,500,000. The following information has been obtained for the year ended 31/12/2017

Particulars	Ksh.
Materials at site (1/1/2017)	250,000
Direct wages	250,000
Subcontractors 'fees	210,000
Plant and machinery at cost	2,200,000
Electricity expenses	110,000
Plant and machinery (31/12/2017)	1,800,000
Architect's fees	280,000
Indirect wages	120,000
Value of work certified	2,300,000

Additional information:

(i) As at 31/12/2017

- Electricity expenses outstanding was Ksh. 20,000
- Materials returned from site was valued Ksh. 90,000

(ii) Work valued at Ksh. 380,000 has been completed but not yet certified
(iii) Retention of 20% is allowed

Required:

(a) Prepare a contract account for the year ended 31/12/2017 (12marks)
(b) Show the proportion of profit to be credited to the profit and loss account (8marks)

(TOTAL 20 MRKS)

QUESTION THREE

Kanga Ltd has three production departments A,B,C and two service departments X and Y. The following is their budgeted factory overheads for the year ended 30 September 2015.

	Shs.	Shs.
Production departments		
A	240,000	
B	180,000	
C	220,000	640,000
Service departments		
X	86,000	
Y	44,000	130,000
		770,000

The service department costs are to be re-apportioned as per the following percentages

	A	B	C	X	Y
X	20	30	35	-	15
Y	30	30	30	10	-

Required:

Re-apportion the service departments' costs to the production departments using the simultaneous equation method.

(Total 20marks)

QUESTION FOUR

(a) The following details relate to a product manufactured by Mwito Ltd

- Variable cost per unit Ksh. 30
- Selling price per unit Ksh. 40

- Budgeted fixed costs Ksh. 70,000
- Budgeted sales 8,000 units

Determine:

i. Break-even point in units and shillings (3marks)
ii. Units to be produced and sold to realize a profit of Ksh. 30,000 (3marks)

(b) Outline six assumptions of cost volume profit analysis (6marks)

(c)The following data relates to be for a product X.

Standard cost of per unit of a product

- Direct material 4kg @ sh.60 per kg
- Direct labour 2hrs @ sh.200 per hour

Actual results for a given period

- Direct material 6kg @ sh.60 per kg
- Direct labour 2hrs @ sh.200 per hour

Required:

i. Direct material usage variance (2marks)
ii. Direct material price variance (2marks)
iii. Direct labour rate variance (2marks)
iv. Direct labour efficiency variance (2marks)

(Total 20marks)

QUESTION FIVE

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 (15marks)

ii. Prepare the Abnormal loss and Abnormal gain accounts (5marks)

(Total 20marks)