



KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2022/2023 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: 16TH AUGUST, 2023

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 4 Printed Pages. Please Turn Over.

SECTION A

QUESTION ONE (COMPULSORY)

- a) Explain Five (5) important conditions for effective costing system (5marks)
- b) Explain five differences between financial accounting and cost accounting (5marks)
- c) Explain five (5) purpose of management accounting (5marks)
- d) Discuss five (5) features of process costing (5marks)
- e) Differentiate the following terms as used in cost classification
 - i. Administrative cost and Distribution cost (2marks)
 - ii. Product cost and Period cost (2marks)
 - iii. Historical cost and Pre-determined cost (2marks)
- f) Discuss Four (4) importance of variance analysis (4marks)

QUESTION TWO

Assume that the product manager of XYZ Limited is concerned about their current fluctuations in the efficiency and therefore want to determine how labour cost is related to volume of units produced. The results of the 12 most recent weeks are shown below.

Week number	Number of units (X)	Labour cost (Y)
1	34	340
2	44	346
3	31	287
4	36	262
5	30	220
6	49	416
7	39	337
8	21	180
9	41	376
10	47	295
11	34	215
12	24	275

Required:

- i. Establish a cost function using the High-Low method. (15marks)
- ii. Assume that the number of units we expect to produce in the next period is 50. Estimate the labour cost to be in that period. (5marks)

QUESTION THREE

a) Outline five features of contract costing

(5marks)

a) Building limited signed a contract and the figures below are for the year ended 31/12/2017

Particulars	Ksh.
Material sent to site	85,349
Labour engaged on site	74,375
Plant installed at site at cost	15,000
Direct expenditure	3,167
Establishment charges	4,126
Materials returned to store	529
Work certified	195,000
Cost of work not yet certified	4,500
Materials in hand, Dec 31	1,883
Wages accrued, Dec 31	2,400
Direct expenditure accrued Dec 31	240
Value of plant, Dec 31	11,000
The contract price agreed	250,000
Cash received from contractee's	180,000

Required:

a) Prepare the contract account

(11marks)

b) Prepare the contractee's account

(3marks)

c) Show the proportion of profit to be credited to P&L account

(6marks)

QUESTION FOUR

Company ABC Ltd 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:

- Additional information:
- i. There was no opening stock or closing stock
 - ii. Production overhead is absorbed by each process on the basis of 50% of the cost of direct labour.
- Required:
- a. Prepare separate process accounts (12marks)
 - b. Prepare the Abnormal loss and Abnormal gains accounts (8marks)

Normal loss per process was estimated as:

- Process 1: 10%
- Process 2: 5%
- Process 3: 8%

Output (units) for each process was

- Process 1: 5,300
- Process 2: 5,000
- Process 3: 4,700

The loss in each process represented scrap which could be sold with the following values:

- Process 1: Shs.20 per unit
- Process 2: Shs.44 per unit
- Process 3: Shs.65 per unit

ELEMENT OF COST	TOTAL	PROCESS		
		1	2	3
Direct material	87,500	30,000	40,000	17,500
Direct labour	110,000	40,000	50,000	20,000
Direct expenses	16,900	6,000	1,600	9,300
		Shs.	Shs.	Shs.
		1	2	3

EXPO Company Limited makes a chemical that passes through 3 production processes 1, 2 and 3. In the month of August 6,000 Litres of the basic raw material priced at Shs. 240,000.00 were introduced into process 1. Subsequently the following costs were incurred

QUESTION FIVE

Required: Determine total costs in the ABC Ltd using Simultaneous equation method. (20marks)

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