



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS 2018/2019 ACADEMIC YEAR *SUPPLEMENTARY/SPECIAL EXAMINATIONS*

SCHOOL OF BUSINESS & CONOMICS BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 302

COURSE TITLE: COST ACCOUNTING

DATE: APRIL 2019

TIME:

INSTRUCTIONS TO CANDIDATES

1. Answer Question **ONE** and any other **THREE** questions
2. Do not write on the question paper

This paper consists of 5 printed pages. Please turn over.

QUESTION ONE

a) Discuss any three ways in which the standard costing system facilitates the entire managerial process.

(7 marks)

b) A company manufacturing 'Distempers' operates a costing system. The standard cost of X one of the products of the company shows the following standards.

Materials	Quantity	Standard price per kg	
Total		Sh	Sh.
A	40 kg	75	
3,000			
B	10 kg	50	
500			
C	50 kg	20	
<u>1,000</u>			
Material cost per unit total			
4,500			

The standard input mix is 100 kg and the standard output of the finished product is 90 kg.

The actual results for the period are :

Materials used

A = 240,000 kg @ sh. 80 per kg

B = 40,000 kg @ sh. 52 per kg

A = 220,000 kg @ sh. 21 per kg

The actual output of the finished product = 420, 000 kg

Required

From the above, calculate the following variances

- i. Materials price Variance
- ii. Material mix variance
- iii. Material yield variance **(12 Marks)**

c) Briefly discuss the following methods of cost accumulation.

- i) Job costing
- ii) Batch costing
- iii) service costing **(6 Marks)**

QUESTION TWO

a) Discuss the following terms

- i. Absorption costing **(2 marks)**
- ii. Marginal costing **(2 marks)**
- iii. Standard costing **(2 marks)**

b) Accounting consultants limited secured a contract to build a swimming pool at a price of sh. 500,000.

The following details relate to the contract which began on 1st January 2015.

	Sh.
Machinery	30,000
Materials	170,600
Wages	148,750
Direct expenses	6,330
Outstanding wages	5,380
Uncertified work	9,000
Overheads	8,240
Material returned	1,600
Materials on hand -31/12/2015	3,700
Machinery on hand -31/12/2015	22,000
Value of work certified	390,000

Cash received 351,000

Required

Prepare the contract account for the year 2015 showing the amount of profit that may be taken to the credit of the statement of comprehensive income for the year.

(9 marks)

QUESTION THREE

Solo Limited makes and sells a single product . The following data relate to periods 1 to 4

	sh.
Variable cost per unit	30
Selling price per unit	55
Fixed costs per period	6,000

Normal activity is 500 units and production and sales for the four periods are as follows :

	Period 1 units	Period 2 units	Period 3 units	Period 4 units
Sales	500	400	550	450
Production	500	500	450	500

There were no opening stocks at the start of period 1

Required

a) Prepare operating statements for each of the periods 1 to 4 , based on marginal costing principles.

(5 marks)

b) Prepare operating statements for each of the periods 1 to 4 , based on absorption costing principles.

(5 marks)

c) Comment briefly on the results obtained in each period and in total by the two systems.

(5 marks)

QUESTION FOUR

XYZ Company manufactures a product CREAM with various end uses. The company applies factory overheads to individual jobs on the basis of machine hours for department A, and on the basis of direct labour cost for department B. The following budget estimates were made by the company at the start of year 2015.

	Department A Shs	Department B Shs
Direct material cost	80,000	60,000
Direct labour cost	60,000	50,000
Factory overheads	60,000	40,000
Direct labour hours	4,000	5,000
Machine hours	12,000	750

Cost records kept by the company showed that Job No.12R consumed the following inputs during the year:

	Department A Shs	Department B Shs
Materials issued	500	1,500
Direct labour cost	480	400
Direct labour hours	40	50
Machine hours	1,50	10

Required:

a) Determine the overhead application rate for both department A and B.

(4

Marks)

b) Calculate the total cost of Job No.12R.

(4

marks)

c) Suppose the job consists of 500 items, what would be the cost per unit?

(2

marks)

d) At the end of the year 2015, total factory overheads incurred amounted to shs.97,500. A total of 11,000 machine hours were

worked in department A while the total labour cost for department B was Shs.54,000. Calculate the over- or under-applied overheads for the company as a whole and indicate whether it is favourable or unfavourable. **(5 marks)**

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QUESTION FIVE

a) Briefly describe the purpose of cost accounting **(5 marks)**

b) Outline three disadvantages of standard costing **(5 marks)**

c) Discuss any three differences between cost accounting and financial accounting **(5 marks)**

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