**PAN AFRICA CHRISTIAN UNIVERSITY**

**SCHOOL OF LEADERSHIP, BUSINESS & TECHNOLOGY**

**END OF SEMESTER EXAMINATION FOR THE DEGREE OF**

**BACHELOR OF BUSINESS LEADERSHIP**

**BACHELOR OF BUSINESS INFORMATION TECHNOLOGY**

**BACHELORS OF COMMERCE**

**JANUARY – APRIL 2018 SEMESTER**

**CAMPUS: ROYSAMBU**

**DEPARTMENT: BUSINESS STUDIES**

**COURSE CODE: BUS3313|BCM 212**

**COURSE TITLE: COST ACCOUNTING**

**EXAM DATE: TUESDAY 17$^{TH}$ APRIL 2018**

**TIME: 9:00AM-12:00PM**

**INSTRUCTIONS**

- This examination script consists of **Six (6)** questions.
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.
- Answer **question ONE** and ANY other **four** Questions

**QUESTION ONE: COMPULSORY**

a) Distinguish between the following terms:

| | | |
|---|---|---|
| i) | Direct costs and indirect costs | (4 Marks) |
| ii) | Unit contribution and unit variable cost | (4 Marks) |
| iii) | Abnormal process loss and abnormal process gain | (4 Marks) |
| iv) | An allocation base and a cost driver | (4 Marks) |
| v) | A break-even point and a margin of safety | (4 Marks) |

b) Describe various ways in which the following differ:

i. Marginal costing method and Absorption costing method (6 Marks)

ii. Traditional absorption costing system and Activity Based costing system (6 Marks)

iii. Cost accounting and financial accounting (8 Marks)

**QUESTION TWO**

PHERES Limited provides the following data for product P and product Q. During the period, 5000 units and 7000 units of product P and Product Q respectively were produced and sold.

| | **Product M** | **Product N** |
|---|---|---|
| | Sh/Unit | Sh/Unit |
| Selling price | 4.00 | 4.00 |
| Variable cost | 2.10 | 2.80 |

Additional information:

Total fixed cost of producing both productsduring the period was Sh8700

**Required:**

a) Prepare a marginal costing statement for each product (4 Marks)

b) Calculate the break-even point of each product in units and in shs (5 Marks)

c) Calculate the margin of safety for each product (2 Marks)

d) Determine the sales volume for each product that will achieve a target profit of Sh5 000 (4 Marks)

**QUESTION THREE**

a) Define the term Variance Analysis (1 Mark)

b) Describe three possible causes of material price variance (6 Marks)

c) Discuss any four assumptions of Cost-Volume-Profit Analysis (CVP) (8 Marks)

## QUESTION FOUR

PAI Co. has established the following materials, labor and overhead standards to produce product X:

Direct materials 2.2 L @ Sh19 per L
Direct labor 1.4 hours @Sh16 per hour
Variable manufacturing overhead 1.4 hours @ Sh7.00

During a given period, the company produced andsold 3,000 units of product X. 6,000 L of direct materials were purchased @ Sh12.00 per Litre. Out of these 8,000 L, 4,000 L were used. 1800 direct labor hours were recorded at a cost of Sh38,000. The variable manufacturing overhead costs totaled Sh8,600.

**Required:**

a) Highlight three ways in which variance analysis is important (3 Marks)
b) Compute materials price variance, materials quantity variance and total material variance. (6 Marks)
c) Compute direct labor rate variance, direct labor efficiency variance and total labour variance. (6 Marks)

## QUESTION FIVE

ABC Limited provides the following data for product P and product Q. During the period, 5000 units and 7000 units of product P and Product Q respectively were produced and sold.

| | **Product P** | **Product Q** |
|---|---|---|
| | Sh/Unit | Sh/Unit |
| Selling price | 8.00 | 8.00 |
| Variable cost | 4.20 | 5.60 |

**Additional information:**

i) Total fixed cost of producing both product during the period was Sh7200
ii) Product P requires 2 hours per unit while product Q requires 3 hours per unit to produce
iii) Inspection cost is 60% of the total fixed costs, while assembling cost is 40% of total fixed costs
iv) There are 50 inspections for product P and 60 inspections for product Q.

**Required:**

Determine the unit cost of each product using:

a) Traditional costing system (6 Marks)

b) Activity Based Costing System (8 Marks)
c) Comment on the results (1 Marks)

**QUESTION SIX**

A certain product passes through two processes; from process I to process II. The data for the month that just ended are:
Process I: Raw materials 12,000 Kgs at a total cost of Sh 10 000. LabourSh 9500, overheads 30% of direct costs. The normal loss is 5%. Output was 6200 Kgs.

Process II: Additional material Sh22,000Kgs, Laboursh 13000, overhead 40% of direct cost. The normal loss is 3%. Output was 5800 Kgs.

a) Determine the process abnormal loss or gain in each process (5 Marks)
b) Determine the unit process cost. (10 Marks)