



PAN AFRICA CHRISTIAN UNIVERSITY
BACHELORS OF COMMERCE
END OF TERM EXAMINATION
DEPARTMENT: BUSINESS
COURSE CODE: BCM212/BUS3313/BIT207
COURSE TITLE: COST ACCOUNTING
ROYSAMBU CAMPUS - DAY
EXAM DATE: TUESDAY
TIME: 8.00AM – 11.00AM

INSTRUCTIONS

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

QUESTION ONE

Using relevant examples, distinguish between the following terms:

- | | |
|--|----------|
| a) A cost driver and a cost centre | (2marks) |
| b) Unit variable cost and unit fixed cost | (2marks) |
| c) Abnormal process loss and abnormal process gain | (2marks) |
| d) A break-even point and a margin of safety | (2marks) |
| e) Marginal costing system and Activity Based costing system | (2marks) |

QUESTION TWO

a) Citing a relevant example, describe any two principles of Cost – Volume – Profit analysis that are applicable in:

- i) Agricultural sector (3marks)
- ii) Banking sector (3marks)

b) Using relevant examples, explain any three reasons as to why a business firm should analyze variances (6marks)

QUESTION THREE

AMBER Company manufactures several products. The following data pertains to production of product X during the half year 2024.

Month	Output (Units)	Total production cost (Sh)
July	2600	66,000
August	3050	65,000
September	5087	72,000
October	3342	68,000
November	4416	69,000
December	4813	73,000

The selling price of product X is Sh 45. The variable selling and distribution cost is 5% of the selling price.

Determine:

- The Unit variable cost of the factory using the high – low method (5 Marks)
- The total fixed production costs of the factory (3 Marks)
- The break - even point of the factory in units (2 Marks)

QUESTION FOUR

JIN Company manufactures several products which are produced in batches and involve machine set-up and inspection. During the Month of January 2025, the company produced several batches of product M which absorbed the overheads as follows:

	Ksh
Cost of machine set-up	100,000
Cost of inspection	152,000

The company also utilized 58 machine set ups and 73 inspections in total.

The following information concerns batch 002.

Units to be produced:	900
Machine set-ups	22
Inspections	28
Direct labour hours per unit (Ksh20 per hour):	2
Direct Materials per unit:	Ksh12

Required:

- Allocate the overheads to batch 002 using the Activity based costing system (7marks)
- Draw a cost statement for Batch 002 to show its total unit cost (3marks)

QUESTION FIVE

MATUU Company produces a single product N which undergoes two processes; Assembly and Inspection. The following details relate to a particular period:

Process	
Assembly	Inspection

	Sh	Sh
Raw materials (65,000 units)	80,000	
Direct wages	23,500	21,900
Overheads	5,750	5,900
Output (Units)	62,200	51,100

There is a nil normal loss at assembly but a normal loss of 3% of the input at inspection is anticipated. Units lost at inspection have the scrap value of sh1.20 per unit. The output of one process moves to the next process. There is no opening or closing Work-In-Progress.

Required:

- Determine the unit cost of inspection process (8Marks)
- Calculate the abnormal loss/gain of inspection process (2Marks)

QUESTION SIX

The following data was obtained from the books of KRLI Company for the month of September 2024

Standard costs:

Direct materials: 8metres @ sh1.90 per metre

Direct labor: 3.8 hours @ sh22 per hour

During the last month, the company manufactured 4,000 units of a given product. It purchased 50,000 metres @ 0.60 per metre and at the end of the month, 20,000 metres was in stock. It worked 6,400 direct labor hours @ sh18 per hour.

Required:

- Compute materials usage variance (4marks)
- Compute direct labor rate variance (2marks)
- Explain any two causes of each of the above variances (4marks)