PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOL OF LEADERSHIP, BUSINESS & TECHNOLOGY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF BUSINESS LEADERSHIP

BACHELOR OF COMMERCE

BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

SEPTEMBER-DECEMBER 2019

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: BCM212|BUS3313|BIT207|DSM105

COURSE TITLE: COST ACCOUNTING

EXAM DATE: MONDAY 2ND DECEMBER 2019

DURATION: 2 HOURS

TIME: 9:00AM-11:00AM

INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- Write your **STUDENT NUMBER** in the Answer Booklet given
- *Write clearly and legibly.*
- This exam script consists of **Six (6)** questions.
- Answer **question ONE** and A**ny other three (3)** questions
- *ALL PAC University's examination rules and regulations apply*

QUESTION ONE: COMPULSORY

a) Using an example in each case, explain any four ways in which cost is classified (8Marks)
b) Discuss any two assumptions of Cost – Volume – Profit Analysis (4 Marks)
c) Distinguish between marginal costing and absorption costing (4Marks)
d) ABC Co. manufactures several products, among them product A. The following data pertains to six sets of production of product A during the month of January 2019.

Set	Output (Units)	Total production cost (Sh)
a	2600	66,000
b	3050	65,000
c	5087	72,000
d	3342	68,000
e	4416	69,000
f	4813	73,000

The following additional information is also provided:

i. Projected selling price of product A in 2020 is Sh 50.

ii) Variable cost per unit is forecast to rise by 10% in 2020, while the total fixed cost remains unchanged.

iii) Variable selling and distribution cost is 6% of the selling price, and will remain the same in 2020.

Determine:

a) Total fixed production costs of the factory (6 Marks)
b) Contribution margin per unit in 2020 (2 Marks)
c) Break - even point of the factory in 2020 in units and in sales revenue (3 Marks)
d) Sales volume when a profit of Sh50 000 is projected in 2020 (3Marks)

QUESTION TWO

MELDA Co. uses perpetual inventory system. Its inventory information for the month of August 2016 was as follows:

Aug. 01: Beginning inventory, 600 units @ Sh5 each.
Aug. 06: Purchased 1,600 units @ Sh 5.50 each.
Aug. 10: Sold 400 units
Aug. 11: Purchased 1,000 units @ Sh 6 each.
Aug. 15: Sold 1,000 units
Aug. 20: Purchased 300 units @ Sh 6.50 each.
Aug. 27: Sold 600 units

Required:

Compute the ending inventory under:

a) FIFO valuation method (3Marks)
b) LIFO valuation method (3Marks)

QUESTION THREE

MINTO manufacturers produces products M and N that requires machine setting and inspection. The following information for the period has been provided:

	Ksh
Cost of machine set-up	100,000

Cost of inspection	152,000	

More information about the two products during the period is provided as follows:

	M	N
Units to be produced:	900	700
Machine set-ups	22	36
Inspections	28	45
Direct labour hours per unit (Ksh20 per hour):	2	2.5
Direct Materials per unit:	Ksh12	Ksh16

Required:

Allocate the fixed production overheads to the two products using:

a) Traditional absorption costing system and hence the total cost per unit (3 Marks)
b) Activity based costing system and hence the total cost per unit (7 Marks)

QUESTION FOUR

MK & Co. produces a single product K which undergoes two processes; I, II The following details relate to a particular period:

	Process	
	I	**II**
	Sh	Sh
Raw materials (65,000 units)	80,000	
Additional materials	22,300	31,300
Direct wages	23,500	21,900
Overheads	5,750	5,900
Output (Units)	62,200	51,100

A normal loss of 3% of the input to each process is anticipated. Units lost have the following scrap values per unit: I Sh0.18, II Sh1.20. The output of one process moves to the next process. There was no opening or closing Work-In-Progress.

Required:

a) Determine the unit cost of each process (8Marks)
b) Calculate the abnormal loss/gain in each process. (2Marks)

QUESTION FIVE

TEL & Co. manufactures and sells laptop bags. The budgeted selling price for 1000 bags is sh20 per bag.

The standard cost to manufacture one bag is as follows:

Direct materials: 25 metres @ sh2.80 per metres	sh70.00
Direct labor: 2.3 hours @ sh0.75 per metres	sh17.25
Manufacturing overhead	sh7.00
Total	sh94.25

During the month of May, the company purchased 4,000 meters of materials @ sh2.10 per meter and produced 3,000 bags using 3,000 meters of materials. 1000 bags were sold at sh22 per bag.

Required:

a) Material price variance, material volume variance and total variance (5marks)
b) Explain various possible causes of each variance calculated in (a) above (5marks)

QUESTION SIX

a) Explain two ways in which Activity Based Costing system differs from traditional costing system (4Marks)

b) Discuss three ways in which cost accounting differs from financial accounting (6Marks)