BACHELORS OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: BCM212

COURSE TITLE: COST ACCOUNTING

ROYSAMBU CAMPUS

EXAM DATE: MONDAY - Online

TIME: 8:00AM – 1100AM

INSTRUCTIONS

- This examination script consists of **five (5)** 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

a) Distinguish between the following terms citing relevant examples from a beverage production firm:

i. Cost driver and a cost centre (4marks)
ii. Unit variable cost and unit fixed cost (4marks)
iii. Abnormal process loss and abnormal process gain (4marks)
iv. A break-even point and a margin of safety (4marks)

b) TICs Co. manufactures several products, among them product L. The following data pertains to production of product L during the half year 2024.

Month	**Output (Units)**	**Total production cost (Sh)**
July	2610	56,000
August	2150	55,000
September	5087	62,000
October	3342	58,000
November	5416	59,000
December	4811	63,000

The selling price of product L is Sh37. The variable selling and distribution cost is 3% of the selling price.

Determine:

a) The Unit variable cost of the factory using the high – low method (7Marks)

b) The total fixed production costs of the factory (3 Marks)

c) The break - even point of the factory in units and in shillings (4Marks)

QUESTION TWO

b) The data below was obtained from a certain manufacturing firm:

1/2/2025 opening stock 1300 units @sh4.50

1/2/2025 purchased 680 units @sh5

5/2/2025 sold 1000 units

8/2/2025 purchased 600 units @sh5.50

15/2/2025 sold 900 units

Determine the value of the closing inventory using Fist In First Out method (FIFO) (10marks)

QUESTION THREE

T & co. manufactures product N which is produced in batches and involves machine set-up and inspection. During the Month of July 2024, the company produced several batches of product N which absorbed the overheads as follows:

Ksh

Cost of material ordering	250,000
Cost of machine scheduling	298,000

The company also utilized 63 material orders and 84 machine schedules in total.

The following information concerns batch 002.

Units to be produced:	1100
Material ordering	26
Machine scheduling	31

Direct labour hours per unit (Ksh10 per hour):1.5
Direct Materials per unit: Ksh21

Required:

a) Allocate the overheads to batch 002 using the Activity based costing system (7marks)
b) A cost statement for Batch 002 (3marks)

QUESTION FOUR

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

	Process	
	I	II
	Sh	Sh
Raw materials (40,000 units)	120,000	
Direct wages	43,500	41,900
Overheads	7,750	7,900
Output (Units)	32,200	31,100

There is a nil normal loss in process I but a normal loss of 2% of the input in process II is anticipated. Units lost in process II have the scrap value of sh1.60 per unit. The output of one process moves to the next process. There is no opening or closing Work-In-Progress.

Required:

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

QUESTION FIVE

a) Citing relevant examples, explain three ways in which cost – volume – profit analysis can be applied banking sector (6marks)
b) Using relevant examples, describe any two characteristics of any process in process costing (4marks)