PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOLOF LEADERSHIP, BUSINESS & TECHNOLOGY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELORS OF COMMERCE

BACHELOR OF BUSINESS LEADERSHIP

CAMPUS: VALLEY ROAD

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: BCM212|BUS3313

COURSE TITLE: COST ACCOUNTING

TIME: 5.30PM-8.30PM

INSTRUCTIONS

- Read all questions carefully before attempting.
- Question one is compulsory
- Answer 5 questions
- Write your **student number** on the answer booklet provided.

QUESTION ONE: COMPULSORY

(a) Define the meaning of the following cost terms;

(i) Cost Accounting (2 marks)
(ii) Standard costing (2 marks)
(iii) Process costing (2 marks)
(iv) Job costing (2 marks)
(v) Contract costing (2 marks)

(b) (i) Giving an example for each, distinguish between "direct cost" and "indirect cost". (6 marks)
(ii) Discuss batch costing as used in cost accounting. (4 marks).

(c) Explain the following terms as used in cost accounting;
(i) First in, first out (FIFO) (2 marks)
(ii) Last in, first out (LIFO) (2 marks)
(iii) Weighted Average Cost (2 marks)
(iv) Average Cost (2 marks)

(d) Costs can be classified according to behavior or function. With an example for each, explain FOUR major classifications of cost. (12 marks)

QUESTION TWO

(a) Differentiate between absorption costing and marginal costing. (5 marks)
(b) Cost accounting is a division of accounting just like Financial accounting: explain FIVE differences of the two divisions. (10 marks)

QUESTION THREE

(a) Describe production overheads as used in cost accounting. (3 marks)
(b) An engineering firm operates a job costing system. Production overhead is absorbed at the rate of Ksh. 10.50 per machine hour. In order to allow for non- production overhead costs, 40 per cent of prime cost is added to the production. The firm adds 20 percent mark- up on total cost for profit when preparing price estimates.
The estimated requirements of Job 214 are as follows;

Direct Materials	Ksh 102,650
Direct labour	Ksh. 33,260
Machine hours	260

<u>Required:</u>
Calculate the estimated price notified to the customer for job number 214 and present it in a cost statement . (12 marks)

QUESTION FOUR

An organization's records for last month show the following in respect of one stock item;

Date	Receipts units	Issues units	Stocks units
1st			200
8th		100	100
12th	200		300
20th		190	110
24th	200		310
28th		170	140

Last month opening stock was valued at a total of Ksh 2900, and the receipts during the month were purchased at a cost of Ksh 17.50 on the 12th and Ksh 18.00 on the 24th per unit.

Required:

(i) Find the value of the Closing stock last month using FIFO. (3 marks)

(ii) Find the value of the closing stock last month using WACO. (3 marks)

(iii) Calculate the total value of the issues last month using FIFO. (3 marks)

(iv) Calculate the total value of the issues last month using WACO. (6 marks)

QUESTION FIVE

In a given manufacturing organization, a factory machine operator is paid Ksh 12.40 per hour and has a normal working week of 40 hours. Overtime is paid at the basic rate plus 50 per cent. If in week 15, the machine operator worked 55 hours;

(a) Calculate the overtime premium paid to the operator in week 15. (3 marks)

(b) Calculate the total wages paid to the operator for week 15. (6 marks)

(c) Explain THREE most suitable classifications of the cost of the wages paid to the operator in week 15. (6 marks)

QUESTION SIX

(a) Describe the materials recording procedure in a manufacturing firm. (5 marks)

(b) Explain FIVE benefits to be derived from using an elaborate cost accounting system. (10 marks)