PAN AFRICA CHRISTIAN UNIVERSITY

EXAMINATIONS FOR THE DEGREE OF BACHELOR OF BUSINESS LEADERSHIP AND BACHELOR OF COMMERCE

JANUARY-MARCH 2016

CAMPUS: ROYSAMBU –SATURDAY
DEPARTMENT: BUSINESS

COURSE CODE: BUS 3313
COURSE TITLE: COST ACCOUNTING

EXAM DATE: SATURDAY, 2nd APRIL 2016
TIME: 8.30am – 11.30am

INSTRUCTIONS

- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

Answer only five questions **Time allowed 3 hours only**

Question one.

(a) Describe the elements involved in the decision-making, planning and control process. (12 Marks)

(b) Explain the main features differentiating cost accounting from financial accounting.

(8 Marks)

Question two.

(a) Discuss the following terms and explain their use in cost accounting.

(i) First In First Out (2 Marks)
(ii) Last In First Out (2 Marks)
(iii) Weighted Average Cost (2 Marks)

(b) An organization's records for last month show the following in respect of one stores item;

Date	Receipts units	Issues units	Stock units
1st			175
5th		100	75
7th	400		475
19th		190	285
27th		170	115

Last month opening stock was valued at a total of Ksh 2800. And the receipts during the month were purchased at a cost of Ksh 17.50 per unit.
The organization uses the weighted average method of valuation and calculates a new weighted average after each stores receipt.

Required;
Calculate the total value of the issues last month. (10 Marks)

(c) Using the data in 2 (b) above, calculate the total value of the issues last Month by way of the First In First Out method. (4 Marks)

Question three.

(a) Opportunity cost and sunk cost are among the concepts of cost most commonly discussed;

i) Define these terms precisely. (4 Marks)
ii) Suggest for each of them a situation in which the concept might be applied. (4 Marks)

iii) Assess briefly the significance of each of the concepts.

(4Marks)

(b) Distinguish between, and provide an illustration of;

(i) "avoidable" and "unavoidable" costs. (4 Marks)
(ii) "cost centres" and "cost units". (4 Marks)

Question four.

An advertising agency uses a job costing system to calculate the cost of client contracts. Contract A42 is one of several contracts undertaken in the last accounting period. Costs associated with the contract consist of:

Direct materials	Ksh 5,500
Direct expenses	Ksh 14,500

Design staff worked 1020 hours on contract A42, of which 120 hours were overtime. One third of these overtime hours were worked at the request of the client who wanted the contract to be completed quickly. Overtime is paid at a premium of 25 per cent of the basic wage of Ksh 24.00 per hour.

Required:

(a) Differentiate between the terms "overtime pay" and "overtime premium". (4Marks)

(b) Calculate the overtime premium cost charge for contract A42. (4 Marks)

(c) Prepare a cost statement for contract A42 (12 Marks)

Question five.

(a) Describe job costing system as used in cost accounting. (4 Marks)

(b) Describe the term "production overheads" as used in cost accounting, and give two examples of these. (4 Marks)

(c) An engineering firm operates a job costing system. Production overhead is absorbed at the rate of Ksh. 8.50 per machine hour. In order to allow for non – production overhead costs and profit, a mark - up of 60 per cent of prime cost is added to the production cost when preparing price estimates.

The estimated requirements of job number 404 are as follows;

Direct materials	Ksh 10,650
Direct labour	Ksh 3,260
Machine hours	140

Required;

Calculate the estimated price notified to the customer for job number 404. (12 Marks)

Question six

(a) The following terms are commonly used in cost accounting; explain their meaning and give an example for each one of them.

(i) Fixed costs (3 Marks)
(ii) Variable costs (3 Marks)
(iii) Factory overheads (3 Marks)
(iv) Direct expenses (3 Marks)

(b) Prime costs and Production indirect costs are major classifications of costs in a manufacturing organization. Give two examples each of costs that fall under these two major classifications. (4 Marks)

(c) The following data relate to two output levels of a department;

Machine hours	17000	18500
Overheads	Ksh 246,500	Ksh 251,750

The variable overhead rate per hour is Ksh 3.50

Calculate the amount of fixed overheads. (4 Marks)