PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

SEPTEMBER – DECEMBER 2022

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: DBM124

COURSE TITLE: COST ACCOUNTING

EXAM DATE:

TIME:

INSTRUCTIONS

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

Question One **(Compulsory= 10 marks)**

a) Discuss **five** differences between marginal costing and absorption costing (5 Marks)

b) Discuss **five** causes of variances using suitable illustrations. (5 Marks)

Question Two **(10 Marks**

A company uses batch production methods to produce a single product by combining two materials Tee and Pee. The company has budgeted for a material mix ratio of 60:40 for Tee and Pee respectively. The following information relates to each batch:

Direct material input 200kg

Material Tee standard price shs. 2 per kg

Material Pee standard price shs. 3 per kg

Standard yield 160kg of product.

The waste generated has no value. Actual results for Month 10 were as follows:

Output 16,500 kg

Material Tee 13,020 kg shs. 24,738

Material Pee 7,980 kg shs. 25,536

Required

(a) Calculate the following variances:

(i) Material price for each material and in total (2 marks)
(ii) Material mix for each material and in total (4 marks)
(iii) Material yield in total. (4 marks)

Question Three **(10 Marks)**

A company manufacturers 5,000 units of a product per month. The cost of placing an order is `100. The purchase price of the raw material is ` 10 per kg. The re-order period is 4 to 8 weeks. The consumption of raw materials varies from 100 kg. to 450 kg. per week. The average weekly consumption being 275 kg. The carrying cost of inventory is 20% per annum.

Assuming 52 weeks in a year, you are required to calculate —

(i)	Re-order quantity	(4 marks)
(ii)	Maximum level;	(2 marks)
(iii)	Minimum level;	(2 marks)
(iv)	Average level	(2 marks).

Question Four (10 Marks)

From the following you are required to prepare a statement showing the issues made under **Last-in-First – Out (LIFO)** method:

Date	Opening Balance 100 units at shs. 10 each
1	Received 200 units at shs.10.50 each
2	Received 300 units at shs. 10.60 each
4	Issued 400 units to Job A vide MR No. 3
6	Issued 120 units to Job B vide MR No. 4
7	Received 400 units at shs. 11 each
10	Issued 200 units to Job C vide MR No. 5
12	Received 300 units at shs. 11.40 each
13	Received 200 units at shs. 11.50 each
15	Issued 400 units to Job D vide MR No. 6

Question Five

a) The under mentioned information is given below:

(1) The P/V Ratio of a firm is 40%.

(2) The firm wants to increase its selling price by 10%.

(3) The firm's variable cost is higher now by 5%.

(4) The fixed expenses of the firm have gone up from shs. 200,000 to shs. 258,500.

Required

i. Work out the original break- even point (BEP) sales (2 Marks)
ii. The revised break- even point (BEP) sales. (2 Marks)

b) Discuss the application of break -even point (BEP) analysis using relevant examples. (6 Marks)

Question Six **(10 Marks)**

A factory produces 300 units of a product per month. The selling price is shs. 120 and variable cost shs. 80 per unit. The fixed expenses of the factory amount to shs. 8,000 per month.

Calculate:

(i) The estimated profit in a month wherein 240 units are produced, (5 marks)

(ii) The sales to be made to earn a profit of `7,000 per month. (5 Marks)