PAN AFRICA CHRISTIAN UNIVERSITY

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

JANUARY-MARCH 2016

CAMPUS: VALLEY ROAD - EVENING
DEPARTMENT: BUSINESS

COURSE CODE: BUS 3313
COURSE TITLE: COST ACCOUNTING

EXAM DATE: WEDNESDAY, 30th MARCH 2016
TIME: 5.30pm – 8.30pm

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) Explain three main functions of cost accounting. (6 Marks)

(b) Discuss five features differentiating cost accounting from financial accounting. (10 Marks)

(b) Discuss any two benefits that managers of business enterprises derive from using an elaborate cost accounting system in their organizations. (4 Marks)

Question two.

The following data has been given by the cost accounting department of a manufacturing company in Nairobi.

Data	Ksh.
Cost of motor car	5500
Trade-in price after 2 years or 60,000 Kilometers is expected to be	1500
Maintenance – 6 –monthly service costing	60
Spares/replacement parts, per 1000 Kilometers	20
Vehicle licence per annum	80
Insurance per annum	150
Tyre replacement after 25,000 Kilometers, four at Ksh 37.50 each	150
Petrol, per Liter	1.90
Average mileage from one liter is 25 Kilometers	

Required:

From the above data prepare a schedule to be presented to management showing for the mileages of 5000, 10000, 15000, and 30000 Kilometers per annum;

(i) Total variable cost (4 Marks)
(ii) Total fixed cost (4 Marks)
(iii) Total cost (3 Marks)
(iv) Variable cost per kilometer (to the nearest cent) (3 Marks)
(v) Fixed cost per kilometer (to the nearest cent) (3 Marks)
(vi) Total cost per kilometer (to the nearest cent) (3 Marks)

Question three.

(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 808 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 808. (12 Marks)

Question four.

A machine operator is paid Ksh 10.20 per hour and has a normal working week of 35 hours. Overtime is paid at the basic rate plus 50 per cent. If in week 7, the machine operator worked 42 hours;

(a) Distinguish between the terms "overtime pay" and "overtime premium". (4 Marks)
(b) Give three possible classifications of the cost of the wages paid to the machine operator. (9 Marks)
(c) Calculate the overtime premium paid to the machine operator in week 7. (4 Marks)
(d) Calculate the total wages paid to the machine operator in week 7. (3 Marks)

Question five.

(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			200
8th		100	100
12th	400		500
20th		190	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 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) With the data in 5 (b) above and using First In First Out method, calculate the total value of the issues last Month. (4 Marks)

Question six.

Give two examples of the following items, in a manufacturing operation:

i)	Direct Materials	(2 Marks)
ii)	Direct Labour	(2Marks)
iii)	Direct Expenses	(2Marks)
iv)	Factory Production overheads	(2 Marks)

(b) The information from the books of PAC Ltd for the year ended 31st December 2014 showed the following cost estimates of production of product Y-001.

	Ksh'000
Direct Materials	875
Direct Wages	125
Direct Expenses	30
Indirect factory costs	170

Administration costs	150
Distribution costs	50
Selling expenses	40
Profit	20% of selling price

<u>Required</u>

Prepare a cost statement clearly identifying:

i) The prime cost. (3 Marks)

ii) Factory or production cost. (3 Marks)

iii) Total cost. (3 Marks)

iv) The amount of profit (3 Marks)