PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOL OF LEADERSHIP, BUSINESS & TECHNOLOGY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF COMMERCE

BACHELOR OF BUSINESS LEADERSHIP

BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

JANUARY-APRIL 2019 SEMESTER

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: BUS3313|BCM212|BIT207

COURSE TITLE: COST ACCOUNTING

EXAM DATE: THURSDAY 11th APRIL 2019

DURATION: 3 HOURS

TIME: 5:30PM-8:30PM

INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- Write your **STUDENT NUMBER** in the Answer Booklet given
- *Write clearly and legibly.*
- This examination script consists of **Six (6)** questions.
- Answer Question **ONE** and any other **FOUR** questions
- *ALL PAC University's examination rules and regulations apply*

QUESTION ONE: COMPULSORY (40MKS)

a) Define the following terms
   i. cost driver (2mks)
   ii. cost unit (2mks)

b) List THREE uses of variances (3mks)

c) Briefly explain THREE differences between financial accounting and cost accounting (6mks)

d) Describe THREE uses of budgets in cost accounting (6mks)

e) Explain FIVE cost estimation methods used in cost accounting (10mks)

f) Amazon Steels Inc. is a metal- and woodcutting manufacturer, selling products to the home construction market. Consider the following data for 2017:

Sandpaper	Kes 2,000
Materials handling costs	70,000
Lubricants and coolants	5,000
Miscellaneous indirect manufacturing labor	?
Direct manufacturing labor	300,000
Direct materials inventory Jan. 1, 2017	40,000
Direct materials inventory Dec. 31, 2017	50,000
Finished goods inventory Jan. 1, 2017	100,000
Finished goods inventory Dec. 31, 2017	150,000
Work-in-process inventory Jan. 1, 2017	10,000
Work-in-process inventory Dec. 31, 2017	14,000
Plant leasing costs	54,000
Depreciation—plant equipment	36,000
Property taxes on plant equipment	4,000
Fire insurance on plant equipment	3,000
Direct materials purchased	460,000
Revenues	1,360,000
Marketing promotions	60,000
Marketing salaries	100,000
Distribution costs	70,000
Customer-service costs	100,000

ADDITIONAL INFORMATION:

Indirect manufacturing labour included indirect labour 400hrs a rate of Kes 60/hour, overtime premium of 200hrs at a rate of Kes 75/hr, and an idle time of 40hrs at a rate of Kes 25/hr

Required:

i. prime cost (2mks)
ii. factory cost (2mks)
iii. cost of goods manufactured (2mks)
iv. cost of goods sold (2mks)
v. income statement (3mks)

QUESTION TWO

a) Contrast FIFO and WAM (4 mks)

b) Allied Chemicals operates a thermo-assembly process as the second of three processes at its plastics plant. Direct materials in thermo-assembly are added at the end of the process. Conversion costs are added evenly during the process. The following data pertain to the thermo-assembly department for June 2012:

Units Sold	Physical Units	Total Cost	Direct Materials	Conversion Cost
Beginning WIP	**225**	**26,100**	**18,000**	**8,100**
Degree of Completion			**100%**	**60%**
Started with in current period	**275**			
To be accounted for				
Completed and Transferred	400			
Ending WIP	100			
Degree of Completion			100%	50%
Total Cost added		**36,180**	**19,800**	**16,380**

Required: Using FIFO method

i. Calculate the equivalent units (3mks)
ii. Calculate the direct and total cost (3mks)
iii. Assign cost to completed goods and WIP (3mks)
iv. Advice Management (2mks)

QUESTION THREE

a) Assume that Mary has a fixed costs of Kes 200,000, a selling price of Kes 20,000 and a variable cost per unit of Kes 12,000. Calculate the margin of safety if 40 units are sold, (6mks)

b) Explain the three methods of expressing CVP relationships (9mks)

QUESTION FOUR

a) Define the following costing methods

i. Batch costing (2mks)

ii. Service costing (2mks)

iii. Contract costing (2mks)

iv. Joint costing (2mks)

b) From the table below, calculate the variances and flexible budget, assuming that the company budgeted for a selling price of Kes 120. Also the company estimated the following standard cost per output: direct materials Kes 60, direct labour Kes 16, overhead Kes 12 and fixed cost Kes 27.6 (7 mks)

Units Sold	Actual Results	Flexible budget	Flexible Budget variance	Static Budget	Sales volume variance
Units Sold	10,000			12,000	
Revenue	1,250,000			1,440,000	
Variable Cost					
Direct material	621,600			720,000	
Direct Labour	198,000			192,000	
Manufacturing Overhead	130,500			144,000	
Total Variable Cost					
Contribution Margin					
Fixed manufacturing cost	285,000			276,000	
Operating income					

QUESTION FIVE

a) Briefly outline five classifications of cost (5mks)

b) Discuss the five-step decision-making process for any company (10mks).

QUESTION SIX

a) Differentiate between marginal costing and absorption costing. (3mks)

b) Discuss THREE types of inventories that a firm can hold (6mks)

c) Explain three objectives of cost accounting (6mks)