PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF:
BACHELORS OF COMMERCE
BACHELOR OF BUSINESS LEADERSHIP
BACHELOR OF BUSINESS INFORMATION TECHNOLOGY
AND DIPLOMA IN SUPPLIES MANAGEMENT
MAY-AUGUST 2017

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: BUS3313|BCM212|BIT204|DSM105

COURSE TITLE: COST ACCOUNTING

EXAM DATE: TUESDAY 25th JULY 2017

TIME: 2.00PM – 5.00PM

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

a) Distinguish between the following terms:

i. Cost object and cost center (4 Marks)

ii. Unit variable cost and unit fixed cost (4 Marks)

iii. Abnormal process loss and abnormal process gain (4 Marks)

b) Explain four possible causes of material price variance (8 Marks)

c) Explain five assumptions of Cost-Volume-Profit Analysis (CVP) (10 Marks)

d) Discuss five ways in which cost accounting differ from financial accounting(10 Marks)

QUESTION TWO

MBITA Company sells several products. Information of standard/average revenue and costs are as follows:

Costs per unit:	Ksh
Direct materials	4.00
Direct manufacturing labor	1.60
Manufacturing overhead	0.40

Additional information:

Annual fixed costs is Ksh96,000and is absorbed on a unit basis. It constitutes of 45% administration costs, 40% selling and distribution costs, and the rest is variable selling costs.

During the year, 56 000 units were produced and 53 000 units sold. The selling price per unit was Ksh 20.There was no openingstock at the beginning of the period.

Prepare:

a) Marginal costing profit & loss statement (8 Marks)

b) Break-even point in units and in shilling (4 Marks)

c) The sales volume when the target profit is Ksh 20 000 (3 Marks)

QUESTION THREE

a) Explain three ways in which traditional costing system differ from the Activity Based Costing System

(6 Marks)

b) Discuss three reasons as to why profits obtained using absorption costing and marginal coting methods differ. (9 Marks)

QUESTION FOUR

a) Explain the term 'Variance Analysis' (3 Marks)

b) P&G Company produces many products for household use and has established the following materials, labor and overhead standards to produce one box of Detergent-DX:

1. Direct materials; 1.5 Kg @ Sh12 per Kg.
2. Direct labor; 0.6 hours @Sh24 per hour
3. Variable manufacturing overhead; 0.6 hours @ Sh5.00

During August 2012, company produced and sold 3,000 boxes of Detergent-DX. 8,000 Kgs of direct materials were purchased @ Sh11.50 per pound. Out of these 8,000 Kgs, 6,000 Kgs were used during August. There was no inventory at the beginning of August. 1600 direct labor hours were recorded during the month at a cost of Sh40,000. The variable manufacturing overhead costs during August totaled Sh7,200.

Required:

a) Compute materials price variance, materials quantity variance and total material variance.

(6 Marks)

b) Compute direct labor rate variance, direct labor efficiency variance and total labour variance. (6 Marks)

QUESTION FIVE

A Kenyan Company produces only two products: a major computer part and cell phones. The company expects to produce 4,000 computer parts and 2,000 cell phones in 2017.
More data has been provided as follows:

Item/Activity	Computer part	Cell phones
Direct materials per unit	Sh30	Sh17
Direct labour per unit	Sh16	Sh4
Direct labour hours	2 hours per computer part	1.5 hours per cell phone
Production set-ups	5 set ups	15 set ups
Packaging and shipping	4000 boxes	2000 boxes

Budgeted overheads:	**Sh**
Production set up	80 000
Packaging and shipping	120 000

Determine the total unit cost of each product using:

a) Traditional costing system (4 Marks)
b) Activity Based Costing System (10 Marks)
c) Comment on the results (1 Marks)

QUESTION SIX

A certain product passes through two processes; from cutting to assembling. The data for the month just ended are:
Cutting process: Raw materials 8,000 litres at a total cost of Sh 6 000.LabourSh 5500, overheads 30% of direct costs. The normal loss is 5%. Output was 7600 litres.

Assembling process: Additional material Sh18,000, Laboursh 9000, overhead 40% of direct cost. The normal loss is 3%. Output was 7200 litres.

a) Determine the process abnormal loss or gain in each process (5 Marks)
b) Determine the unit process cost. (10 Marks)