PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE

BACHELORS OF COMMERCE

BACHELOR OF BUSINESS LEADERSHIP

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: BCM212|BUS3313

COURSE TITLE: COST ACCOUNTING

EXAM DATE: TUESDAY 6th DECEMBER 2016

TIME: 5.30PM-8.30PM

INSTRUCTIONS

- Read all questions carefully before attempting.
- Question one is compulsory
- Answer 5 questions
- Write your **student number** on the answer booklet provided.

QUESTION ONE

(a) Define the meaning of the following cost terms;

(i) Cost Centre (2 marks)

(ii) Standard costing (2 marks)

(iii) Process costing (2 marks)

(iv) Budgeting (2 marks)

(v) Variable cost (2 marks)

(b) (i) Distinguish between "absorption costing" and "marginal costing". (4 marks)

(ii) Describe contract costing as used in cost accounting. (4marks)

(iii) Discuss batch costing as used in cost accounting. (4 marks).

(c) Discuss the following terms as used in cost accounting;

(i) First in, first out (FIFO) (2 marks)

(ii) Last in, first out (LIFO) (2 marks)

(iii) Weighted Average Cost (2 marks)

(iv) Average Cost (2 marks)

(d) With an example for each, explain four major classifications of cost. (8 marks)

(e) Give two other names for "Manufacturing Indirect Costs". (2 marks)

QUESTION TWO

(a) Define cost accounting (costing). (3 marks)

(b) Clearly explain the benefits to be derived from using an elaborate cost accounting system in a business enterprise. (12 marks)

QUESTION THREE

(a) Describe job costing as used in cost accounting. (3 marks)

(b) 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 870 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 870. (12 marks)

QUESTION FOUR

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

Date	**Receipts units**	**Issues units**	**Stocks 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.

Required:

(i) Calculate the total value of the issues last month using FIFO. (4 marks)

(ii) Calculate the total value of the issues last month using WACO. (6 marks)

(iii) Calculate the value of the closing stock last month using FIFO (2marks)

(iv)Calculate the value of the closing stock last month using WACO. (3 marks)

QUESTION FIVE

In a given manufacturing organization, 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 "overtime pay" and "overtime premium". (2 marks)

(b) Calculate the overtime premium paid to the operator. (4 marks)

(c) Calculate the total wages paid to the operator for week 7. (5 marks)

(d) Discuss four possible classifications of the wages cost paid to the operator in week 7. (4 marks)

QUESTION SIX

(a) For a manufactured item of your choice, give two examples of the following;

(i) Direct materials (2 marks)

(ii) Direct labour (2 marks)

(iii) Direct expenses (2 marks)

(iv) Factory production overheads (2 marks)

(b) The information from the books of Mwalimu Ltd for the year ended 31st December 2015 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	

Required:

Prepare a cost statement clearly identifying;

(i) The prime cost (2 marks)

(ii) Factory or production cost (2 marks)

(iii) Total cost (2 marks)

(iv) The amount of profit (1 mark)