PAN AFRICA CHRISTIAN UNIVERSITY

BACHELOR OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: BCM 105/BCM 212

COURSE TITLE: BCM 105 BCM 212 COST ACCOUNTING DEGREE

EXAM DATE:

TIME:

INSTRUCTIONS

- Read all questions carefully before attempting.
- Question **One** in section **A** is **compulsory** and attempt any **THREE** questions from section **B**

QUESTION ONE

a) Using an example in each case distinguish between a cost center and a cost unit (4 Marks)

b) Banax Ltd. Produced a product whose materials are obtained from Zepak supplies at Shs. 30 per unit.
The following data relates to the materials:

Requirement for the year	480,000 units
Cost per order	Shs. 11,250
Annual stockholding cost per unit	10% of the material price.

Determine the Economic Order Quantity (EOQ) (3 Marks)

c) Using an example in each case state any three causes of idle time in an organization. (3 Marks)

QUESTION TWO

The following data relates to the total costs incurred by PAC garage Ltd. In the period of eight weeks.

Weeks	Number of cars repaired	Total costs incurred "000"
1	90	5,200
2	100	6,000
3	120	6,200
4	150	3,530
5	160	3,850
6	220	4,300
7	300	5,870
8	340	7,150

Required

a) Using regression analysis method, formulate an equation in the form of $Y = a + bx$ that could be used to estimate the total cost incurred (8 Marks)

b) Determine the total cost if the number of cars repaired in a week are 520 cars. (2 Marks)

QUESTION THREE

The following information relates to Limo traders for the year 2021.

Production	108,000 units	
Sales	90,000 units	
		Shs
Direct materials		216,000
Direct labor		90,000
Variable overheads		36,000
Fixed production cost		30,000
Fixed administration cost		17,500

Additional information

The selling price is Ksh. 50.

Required

Prepare profit statement using

a) Absorption costing technique (5 Marks)

b) Marginal costing technique (5 Marks)

QUESTION FOUR

Kazi Ltd remunerates its employees on a time rate basis. The following information relates to three employees for the first week of January 2023.

	John	**Mark**	**Peter**
Total hours worked	76	82	79
Standard hours per unit	7	5	4.5
Output (units)	40	35	46

Additional information

1. The standard hours per week is 40hrs.
2. The basic wage rate is 100Ksh per hour

3. Bonus is paid at 30% of the basic wage rate.
4. Overtime is paid at a time and half of the basic wage rate.

Required

For each of the employee, determine

(i) The basic wage payable (6 Marks)

(ii) The gross wage payable (4 Marks)

QUESTION FIVE

Robin Highlands Ltd. imports a high value component for its manufacturing process. The following data relating to the component has been extracted from Robin Highlands records for the last twelve months:

Maximum usage in a month 300 units

Minimum usage in a month 200 units

Average usage in a month 225 units

Maximum lead time 6 months

Minimum lead time 2 months

Re-order quantity 750 units

Required

a) Re-order level (2 Marks)

b) Maximum stock –level (3 Marks)

c) Minimum stock – level (3 Marks)

d) Average stock – level (2 Marks)

QUESTION SIX

a) Using an example in each case discuss three purposes of cost classification in an organization. (6 Marks)

b) Examine two challenges that a two year old medium size enterprise might face when introducing cost accounting system into their operations (4 Marks)