PAN AFRICA CHRISTIAN UNIVERSITY

BACHELOR OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: BCM 105/BCM 212/BIT207

COURSE TITLE: 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**

SECTION A. (COMPULSORY)

……………………………………………………………………………

QUESTION ONE

Max ltd. manufactures a product branded "Maxim". Some of the manufacturing expenses are easily identifiable as fixed or directly variable with production.

The following information relates to the first 10 months of production.

Month	**Number of units produced**	**Factory overheads Shs**
1	1,500	800
2	2,000	1,000
3	3,000	1,350
4	2,500	1,250
5	3,000	1,300
6	2,500	1,200
7	3,500	1,400
8	3,000	1,250
9	2,500	1,150
10	1,500	800

Required

Formulate the cost function in the form of $Y = a + bX$ using:

a) The high low method (3 Marks)

b) The simple regression method (7 Marks)

SECTION B ANSWER ANY THREE QUESTIONS

……………………………………………………………………………

QUESTION TWO

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

Re-order level (2 Marks)

Maximum stock –level (3 Marks)

Minimum stock – level (3 Marks)

Average stock – level (2 Marks)

QUESTION THREE

The standard cost per unit of product "J" manufactured by design Manufacturing Ltd. is provided below:

	Shs.
Direct material	120
Direct labour	130
Variable overheads	150

Fixed overheads		200
Total production cost		600
Standard profit		150
		750

Additional information

1. The actual data for the month of October 2019 was as follows:

Opening stock	14,000 units
Closing stock	12,500 units
Sales (Shs. 700 per unit)	25,000

2. Actual fixed overheads incurred to Shs. 4,500,000

Required

Prepare the Income Statement using

i. Marginal costing (5 Marks)

ii. Absorption costing (5 Marks)

QUESTION FOUR

The following data is provided for three employees:

Details	**James**	**Michael**	**Andrew**
Time allowed per unit(hours)	¼	1/6	1/5
Units produced	584	684	375
Time taken (hours)	100	88	60
Basic pay per hour (Shs.)	600	600	300
Rejected units	64	84	25

Additional information

1. Bonus is paid at 50% of the normal wage rate for every hour saved
2. No penalty is imposed on rejected units.

Required

For each of the above employees, determine

i. Bonus payable (5 Marks)

ii. Gross wages payable (5 Marks)

QUESTION FIVE

a) Explain **three** differences between cost accounting and financial accounting. (6 Marks)

b) With an example in each case state any three causes of idle time in an organization.

(4 Marks)

QUESTION SIX

a) A company has an annual demand for material of 45,000 tons per annum. The cost price per ton is shs 2,000 and stock holding cost is 25% per annum of stock value. Delivery cost per batch is shs. 400.

Required

Determine the Economic Order Quantity (3 Marks)

b) The following information was extracted from the stores ledger of Okero Ltd for the month of January 2019. The firm uses Last in First in (LIFO) methods of pricing and issuing materials.

1st January: Purchase 2,000 units @25 Shs.

3rd January: Purchased 4,000 units @ 24 Shs.

6th January: Issued 4,800 units.

7th January: Purchased 2,000 units@ 26 shs.

Required

Prepare the stores ledger using Last in First out (LIFO) (7 Marks)