MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY

(MMUST)

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

SECOND YEAR SPECIAL/SUPPLIMENTARY EXAMINATION

FOR DIPLOMA

IN

BUSINESS MANAGEMENT

COURSE CODE: DAB 228

COURSE TITLE: COST ACCOUNTING

DATE: MONDAY, 25TH JULY 2022   **TIME: 8-10AM**

INSTRUCTIONS TO CANDIDATES

Answer QUESTION ONE and any OTHER TWO questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 5Printed Pages. Please Turn Over.

QUESTION ONE

a) Briefly describe the purpose of Cost Accounting. (4 marks)

b) Explain the differences that exist between the following terms as used in cost accounting.

(i) Allocation of overheads (2 marks)

(ii) Apportionment of overheads (2 marks)

(iii) Absorption of overheads (2 marks

c) State any four assumptions of Cost Volume Profit-CVP analysis. (4 marks)

d) ABC Ltd. deals in product Z whose unit selling price is sh. 100. Unit variable cost is sh.40. The annual fixed cost is sh. 200,000.
Required;

i) Determine the number of units that should be sold to attain a profit of sh. 500,000.(2mks)

ii) Determine the number of units that should be sold to break even. (2mks)

iii) Sales revenue required to break even (2mks)

e) From the following information prepare a cost statement and indicate the selling price. (10 marks)

Raw material	300,000
Direct wages	80,000
Direct expenses	20,000
Factory overheads	40,000
Office rent	10,000
Power	8,000
Indirect wages	12,000
Depreciation of plants	30,000
Administrative expenses	34,000
Profit 25% of selling price	

QUESTION TWO

a) Explain differences between cost accounting and financial accounting. (10 marks)

b) The following relates to a factory with four departments

Overheads   Shs

Rent	4,000
Repair for plant	25,000
Depreciation of plant	2,000
Light and heat	1,000
Supervision	3,000
Repair and buildings	1,500
	14,000

Additional information

	A	B	C	D
Area (m2)	75	60	40	25
Employees	35	25	25	15
Value of plant	25,000	1,500	1,000	—

Required

Prepare overhead analysis sheet (10mks)

QUESTION THREE

a) State four causes of material price variance. (4 marks)

b) List any four advantages of standard costing. (6 marks)

c) From the following, prepare a standard cost card and calculate the selling price per unit allowing for profit of 15% on the selling price. (10 marks)

Budgeted output for the year   9,800 units

Standard details per unit

Direct materials 40 m2 @ sh. 53 per unit

Direct wages B 48hrs @ sh. 25/hr

                F 30hrs @ sh. 19/hr

Budgeted cost and hours for the year

Variable overheads		**hours**
B	SH. 3760000	500000
F	SH.1500000	300000

Fixed costs

Production   sh. 3,920,000

Selling and distribution sh. 1,960,000

Administration sh. 980,000

QUESTION FOUR

a) Discuss any four importance of a budget to a business. (8 marks)

b) ABC limited is a manufacturing company that makes only three products P, Q and R. Data for the period ended cost month are as follows:

	P	Q	R
Units produced and sold	12,000	16,000	8,000
Sales price per unit (sh)	50	70	60
Direct materials per unit (shs)	16	24	20
Direct labour cost per unit	8	12	8

Production overheads costs	Total (shs)
Machinery cost	102,000
Production scheduling	84,000
Setup cost	54,000
Quality control	49,200
Receiving materials	64,800
Packaging materials	36,000
	390,000

Additional Information

i) Information on the cost drivers is given as follows:

	P	Q	R
Direct labour hour per unit	1	1 ½	1
Machine hour per unit	½	1	1 ½
Number of components per unit	3	5	8
Number of components receipts	18	80	64
Number of customer order	6	20	10
Number of production runs	6	16	8

ii) Activity cost drivers are as follows:

Machinery – Machine hours

Production scheduling – Number of production runs

Setup - Number of production runs

Quality control - Number of production runs

Receiving materials – Number of components receipts

Packing materials – Number of customer orders

Required: Using ABC, show the cost and Gross profit per unit for each product during the period. (12marks)