



(The University of Choice)

**MASINDEMULIROUNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)
KISUMU CAMPUS**

**EXAMINATIONS
2015/2016 ACADEMIC YEAR**

FIRST YEAR SECOND SEMESTER EXAMINATIONS

**FOR DIPLOMA
IN
IN BUSINESS MANAGEMENT**

COURSE CODE: DAB 100

COURSE TITLE: COST ACCOUNTING

DATE: JUNE 2016 TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Answer question **One** and any other **Two** questions

1. a) Define the term cost accounting (3 marks)

b) Cost accounting is useful and applicable in business organization and its environment in many ways, discuss (12 marks)

c) Discuss various departments within an organization where cost accounting is useful (15 marks)

2. At the start of the year, no jobs were in the process. During the year, job no: 2.1, 2.2, and 2.3 were started; materials were purchased at a cost of 100,000, materials worth sh. 75,000 were used of which sh. 70,000 were direct (sh. 10,000 on jobs 2.1, sh. 40,000 on job 2.2 and the balance on job 2.3) labor costs worth sh. 250,000 were incurred of which sh. 220,000 were direct labor (sh. 80,000 on job 2.1, sh. 75,000 on job 2.2 and the balance on job 2.3). Other manufacturing overheads costs of sh.72,800 were incurred; manufacturing overhead is applied to production on the basis of direct labour costs. Estimated manufacturing overhead for the year was sh.100,000 and estimated direct labour costs for the year was sh. 200,000. Jobs 2.1 and 2.2 were completed with job 2.3 being sold for sh. 200,000

Required:

a) Pass the necessary journal entries to record the above transactions (10 marks)

b) Prepare a costing profit and loss account for the period above (10 marks)

3. Water limited makes a product, the Splash, which has a variable production cost of sh. 6 (production, administration, sales and distribution) There are no variable marketing costs. Fixed costs per annum amounted to sh. 45,000.

Assuming a 20,000 splashes production and a selling price of sh.10. Calculate the contribution for September 2013 using marginal costing principles. If sales were as follows.

- i. 10,000 splashes
- ii. 15,000 splashes
- iii. 20,000 splashes

4. a) Discuss the different between Financial accounting and cost accounting (16 marks)

b) Distinguish between cost accounting and management accounting **(4 marks)**

5 a) Discuss objectives of cost- Volume Profit Analysis. **(8 marks)**

b) Discuss assumptions of Cost Volume Profit analysis **(6 marks)**

c) If sales – Marginal cost = Contribution and

$$\text{Contribution} - \text{Fixed cost} = \text{Profit}$$

$$\text{Fixed cost} + \text{profit} = \dots\dots\dots \text{(4 marks)}$$

