



(The University of Choice)

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

**EXAMINATIONS
2015/2016 ACADEMIC YEAR**

SECOND YEAR SECOND SEMESTER EXAMINATIONS

**FOR DEGREE
IN
BACHELOR OF COMMERCE**

COURSE CODE: BCA 208

COURSE TITLE: COST ACCOUNTING

DATE: SEPTEMBER 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) Briefly explain the following terms as used in cost accounting

i) Cost

ii) Cost Unit

iii) Cost accountant

iv) Cost analysis

v) Responsibility Centre

vi) Cost benefits approach

(6 marks)

c) Cost accounting and financial accounting are distinguishable in various aspects. Outline the major differences between the two accounting disciplines. (6 marks)

d) The following transactions were made by Z limited in the month of December 2013.

Direct materials sh. 8000 was bought on credit, out of these materials worth sh. 5,000 were returned to the suppliers. Sh. 50,000 was issued from the store.

Indirect materials issued amounted to sh. 5,000

Direct wages allocated to production amounted to sh. 20,000

Goods worth sh. 200,000 were sold

Finished goods worth sh. 100,000 were transferred to the store.

The cost of goods sold was sh. 140,000

Unpaid indirect expenses were sh. 32,000

Indirect wages allocated amounted to sh. 15,000

Non-manufacturing overheads incurred amounted to sh. 20,000

Overhead expenses charged to the jobs sh. 60,000.

Required:

- i. Prepare the stores ledger control account
- ii. Factory overhead control accounts
- iii. Work in progress account

- iv. Costing profit and loss account
(15 marks)

2. Sasuma Construction limited has been awarded a contract to build a house. This is a contract No. 45 for the company and the contract price is sh. 2.65 million. At the end of the company's financial year, the contract was 85% complete and hence regarded as being near completion. You are also provided with the following information about the contract. Balance carried down and work in progress brought forward were during the previous period were, sh. 70,000 and sh. 20,000 respectively.

Particulars	Kshs.
Materials purchased and delivered.....	580,000
Materials used from store.....	60, 000
Materials returned to stores.....	9,000
Site expenses.....	300,000
Site wages.....	200,000
Plant sent to site.....	100,000
Architects fees.....	30,000
Plant returned from site.....	10,000
Sub construction fees.....	105, 000
Head office overheads absorbed.....	60,000

Additional Information

- a) The portion of the work which was completed during the year and certified by the architect was assessed as representing 75% of the whole contract price. The contractee made payments to this extent less 10% retention money.
- b) The management of the company decided for the purpose of preparing the company's annual accounts to make a provision of a third of the notional profit against the possibility of defects and other contingencies arising later in respect of the work already certified for payout.

Required:

- i. Prepare the contract account
 - ii. Compute the amount of profit or loss to be taken to the main profit and loss account of the company
 - iii. Compute the value of work in progress **(20 Marks)**
3. Discuss the functional classification of costs, explaining all the terms used therein. **(20 marks)**
4. Define the following terms as used in cost accounting
- a) Marginal Cost
 - b) Break-even point
 - c) Margin of safety
 - d) Contribution **(4 Marks)**

The Ghost Company manufactures one product, the Ghost. The following costs relate to a financial year when 50, 000 units of Ghosts are made.

Direct Materials	Sh. 175,000
Direct Labor	Sh. 115,000
Indirect Costs	Sh. 155,000

Investigations into the cost behavior of the costs have revealed that:

Direct materials behave as variable costs

Direct labor behaves as a variable costs

Of the direct costs, sh. 130,000 behaves as a fixed cost, and remainder as a variable cost.

Required:

- a) Calculate the cost of one unit of the Ghost using marginal costing
 - b) If each unit of Ghost sells for sh. 10, and all the production of 50,000 units are sold.
 - (i) Calculate the profit for the year using marginal costing statement. Show the contribution per unit and total contribution. **(12 Marks)**
 - (ii) Differentiate between marginal costing and absorption costing. **(4 Marks)**
- 5) a) Explain five objectives of Budgeting **(10 Marks)**
- b) Explain stages in the budgeting process **(10 Marks)**

6) The following information relates to XY business.

Selling price per unit	sh.2000
Direct material unit cost sh.	600
Direct labor unit cost	300
Variable manufacturing overhead	200
Variable marketing	250
Fixed manufacturing overhead	500,000

Required:

Calculate the level of profit in following situations;

- 1) The level of output 1000 units
- 2) The level of output 750 units
- 3) The price falls to sh. 1900 and the level of output produced 1500
- 4) Direct material unit cost falls to sh. 500, selling price falls to sh. 1900 and the output produced rises to 1750 units.

(20 marks)

