



**MASINDE MULIRO UNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)**

**MAIN, BUNGOMA, WEBUYE CAMPUS
MAIN EXAMINATION**

**UNIVERSITY EXAMINATIONS
2023/2024 ACADEMIC YEAR**

**SECOND YEAR SEMESTER TWO EXAMINATION
FOR DEGREE
OF
BACHELOR OF COMMERCE
COURSE CODE: BCA 208
COURSE TITLE: COST ACCOUNTING**

DATE: Tuesday 16th April 2024

TIME: 3.00-5.00pm

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 4 Printed Pages. Please Turn Over.

SECTION A (COMPULSORY)**QUESTION ONE (30 MARKS)**

(a) Distinguish between the following

(6 Marks)

- Relevant and irrelevant costs
- Incremental and marginal costs
- Period and product costs

(b) Classification based on behavior involves classifying costs on the basis of their characteristics. With reference to the above statement, explain four types of costs classified by behavior and give an example for each

(8 Marks)

(c) List any five objectives of budgets and budgetary control

(5 Marks)

(d) The following information relates to item D002 stocked by 2023 products ltd., for the month of April 2023

Date	Receipts units	Issues units	Unit cost (Sh.)
April 3	2,400		18
4		3,200	
6	2,600		20
12		2,700	
14	3,000		22
18	2,800		21
25		3,800	
26	3,100		24
29		6,900	

The closing stock for March 2023 was a batch of 3,000 units received at a unit price of Ksh.19.

Required: Stores perpetual inventory store ledger card for May under the

- FIFO and
- LIFO system of stores issues.

(11 Marks)**SECTION B (ANSWER ANY TWO QUESTIONS)****QUESTION TWO (20 MARKS)**

(a) Jambo ltd has four production departments P, Q, R and S and two service departments A and B whose budgeted overheads are as follows

Dept.	P	Q	R	S	A	B
Overheads (Sh)	24 000	18 000	12 000	6 000	3 600	1 800

It has been estimated that the cost of running the service departments can be charged to various departments as follows:

Service dept.	P	Q	R	S	A	B
A	40%	10%	20%	20%	-	10%
B	20%	30%	10%	20%	20%	-

Required: Apportion the service departments' overheads using

- Repeated distribution method
- Simultaneous equation method

(6 Marks)**(4 Marks)**

(b) The following data relates to a half- year report for period ending 30th June 2019. The monthly average figures for the year ending 30th June 2019 were as follows:

Month	Machine hours(000)	Fuel oil expense (Sh 000)
January	26	500

February	28	510
March	31	530
April	35	550
May	43	580
June	48	680

Required: Estimate fixed and variable elements of fuel oil expense from the above data by both the following methods

- High-low method (4 Marks)
- Least-squares regression analysis (6 Marks)

QUESTION THREE(20 MARKS)

(a)List any FOUR assumptions behind the determination of Economic Order Quantity (EOQ). (4 Marks)

(b) A company makes a single product with a sales price of sh.10 and a marginal cost of sh.6. Fixed costs are sh.60, 000 per annum. Calculate.

- The break -even point in units and shillings (3 Marks)
- What number of units will need to be sold to achieve a profit of sh.20, 000 per annum (3 Marks)

iii.Because of increasing costs the marginal cost is expected to rise to sh.6.50 per unit and fixed costs to sh. 70,000 p.a. If the selling price cannot be increased what will be the number of units required to maintain a profit of sh. 20,000 p.a. (4 Marks)

(c) A company operates a process which produces three joint products – K, P and Z. The costs of operating this process during September amounted to Ksh 1 170 000. During the month the output of the three products was:

K	2000 litres
P	4500 litres
Z	3250 litres

P is further processed at a cost of Ksh 90 per litre. The actual loss of the second process was 10% of the input which was normal. Products K and Z are sold without further processing.

The final selling prices of each of the products are:

K	Ksh 200 per litre
P	Ksh 250 per litre
Z	Ksh 180 per litre

Joint costs are attributed to products on the basis of output volume.

Required: determine the profit attributed to P

(6 Marks)

QUESTION FOUR(20 MARKS)

(a)Kala limited has the following data for the month of March 2023

	Quantity (Units)
Sales	10,000
Production	12,000
Data per unit:	
Selling price	Shs 1000
Direct material cost	Shs 360
Direct lab our cost	Shs 80
Variable production overheads	Sh 60
Costs	
Fixed production overheads	1,980,000

Fixed selling expense	300,000
Fixed administration expenses	500,000

Other information

1. Variable selling costs are 10% of sales revenue
2. Normal production capacity is 11,000 units per month

Required:

- (i) Profit statement for the month of March using Full absorption costing. **(6 Marks)**
- (ii) Why does the above method disclose different profits from Marginal costing **(4 Marks)**
 - a) XYZ produces 100 units from input of 120 units from material that costs Sh 27 000 and conversion cost of Sh 13 000. Normal process wastage was determined in advance as 5% of input. The output is to be sold at Sh 150 per kg. Wastage is valued at Sh 50 per kg.
 - i. Cost per unit of the expected output **(2 Marks)**
 - ii. Production cost of the output achieved **(2 Marks)**
 - iii. Cost of abnormal loss or abnormal gain obtained **(3 Marks)**
- (c) In the short-term decision-making context, which ONE of the following would be a relevant cost?
 - i) Specific development costs already incurred.
 - ii) The cost of special material which will be purchased.
 - iii) The original cost of raw materials currently in inventory which will be used on the project. **(3 Marks)**

QUESTION FIVE(20 MARKS)

The standard cost sheet of Salo product ltd for product 008 for the year as follows

Materials	2 kg of silver alloy @ sh 12 per kg per unit
Labour	12 hours for each 50 units @ sh 24 per hour
Variable overhead	Shs.144, 000 for the budget period
Fixed overhead	Sh.360, 000 for budget period
Details for production order 5,400 Units are as follows	
Materials issued 6, 000kg@10.50 per kg	
Actual wages	1440 hours @ sh.25.50per hour
Actual variable overheads sh.12, 000 for actual output	
Actual fixed overhead 31,800 for actual output	

Required

- a) Standard cost sheet for production of 5,400 units **(10 Marks)**
- b) Material price and usage variance **(4 Marks)**
- c) Labour rate and efficiency variance **(4 Marks)**
- d) Explain a cost center **(2 Marks)**