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UNIVERSITY EXAMINATIONS 2023/2024

SECOND YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF EDUCATION ARTS AND BACHELOR OF PURCHASING AND
LOGISTICS MANAGEMENT

BFC 3227: COST ACCOUNTING

DATE: APRIL 2024

TIME: 2 HOURS

INSTRUCTIONS: Answer Question ONE and any other TWO questions.

QUESTION ONE (30 MARKS)

- It is a waste of resources for any manager to think of installing a Cost Accounting system in the midst of a Financial Accounting System. Discuss
- Explain four limitations of Economic Order Quantity (EOQ). (4 Marks)
- Explain the objectives of Stock control (4 Marks)
- Tindo Limited buys and sells produced Q-3. It values stock on the basis of Last in First Out (LIFO). At 1 June 2001, stock in hand consisted of 4500 units which were acquired at Ksh. 50 per unit. The operations for the month were as follows:



MUST is ISO 9001:2015 and



ISO/IEC 27001:2013 CERTIFIED

Date	Purchases	Sales
June 1	5,000 @ Sh 48	
4		6,000 @ Sh 60
5	5,500 @ Sh 49	
7	4,000 @ Sh 50	
11		7,000 @ Sh 61
12	6,000 @ Sh 50	
18		7,000 @ Sh 62
19		8,000 @ Sh 64
20	6,000 @ Sh 49.50	
21		5000 @ Sh 65
22	7,000 @ Sh 50	
25	6,000 @ Sh 49	
26	2,000 @ Sh 47	
28		500 @ Sh 60
29		14,000 @ Sh 64

The company incurred operating costs of Sh.450,000 during the month.

Required:

- i. Stores ledger card (6 Marks)
- ii. Closing stock valuation (3 Marks)
- iii. Trading accounting for the month (3 Marks)

QUESTION TWO (20 MARKS)

- a) Distinguish between Job Costing and Process Costing. (4 Marks)
- b) The standard cost per unit of a product manufactured by Kariobangi Industries Limited is as follows:

ITEM	KSH
Direct material	12
Direct Labour	13
Variable overheads	15



Fixed overheads	<u>20</u>
	<u>60</u>

The actual data for March 2014 was.

Opening stock	14,000 units
Closing stock	12,500 units
Sales @ Sh.70 units	25,000 units
Actual fixed overheads	450,000

Required:

- i. Prepare income statement using:
 - a) Direct Costing (5 Marks)
 - b) Indirect Costing (5 Marks)
- ii. Prepare a Statement reconciling the above results. (6 Marks)

QUESTION THREE (20 MARKS)

- a) Discuss the importance of budgetary control in a firm. (4 Marks)
- b) The budgeted variable overheads of Githurai Limited for the year 2018 are given as below.

Department	Overhead (Shs)	Absorption base
A	150,000	15,000 direct labour hrs
B	200,000	25,000 direct labour hrs
C	120,000	20,000 direct labour hrs
D	300,000	30,000 machine labour hrs

Additional information.

1. Selling and administration overheads are charged at 10% of total production costs while the profit mark up is 25% of total costs.
2. An order for 2000 units was received from a customer. The Batch number of this order is 510.

The following additional information in respect of this batch is provided below:



Direct material 87,000 /=

Direct Labour:

Dept. A (150 direct labour hrs) @ Shs. 12

Dept.B (40 direct labour hrs) @ Shs 15 per hr

Dept. C (60 direct labour hrs) @ Shs. 20 per hr

Dept. D (100 direct labour hrs) @ Shs. 10 per hr

A total of 50 machine hours were used in the Job.

Required:

- i. Calculate the total cost of the batch. (4 Marks)
- ii. Cost per unit (4 Marks)
- iii. Selling price of the batch (4 Marks)
- iv. Selling price per unit (4 Marks)

QUESTION FOUR (20 MARKS)

- a) Explain the reasons why construction companies find it prudent to declare profits on uncompleted contracts. (3 Marks)
- b) On 4 may 2018, Russ Construction Company was contracted by Rama limited to construct a leisure park in Mombasa at a contract price of Sh. 950,000,000. Work commenced on the contract on 23 June 2018. Retention money was agreed at 10% of work certified at the end of the first year, no profits were declared as the contract was considered to be in its infancy.

The following details related to the contract for the year ended 31 December 2019:

	Shs.
Balances brought forward 1/1/2019	4,500
Material on site	1,250
Accrued wages	150,000
Plant (cost)	158,000
Cost of work done	160,000
Work certified to 31 Dec 2018	4,500



Transactions during the year:

Materials delivered to site:

Ex-stores	14,600
By suppliers	128,400
Additional plant (cost)	120,000
Subcontractors fees	18,450
Consultancy fees	28,000
Inspection fee	500
Salaries and wages	160,000
Head office expenses	1200
Material transfer out	15000
Materials sales (cost Sh 19,800)	22
Plant hire	250
Direct expenses	2,600
Total cash received from contracts	580,000
Work certified during the year	660,000
Cost of work uncertified	42,000
Balances carried forward:	
Materials on site	51,000
Wages accrued	2800

Plants have been purchased for use on this contract. Russ Construction Company provides for depreciation on plant at 12.5% per annum on cost.

Required:

- i. Construct accounting for the year to 31 Dec 2019, clearly showing the profits/losses in contract for the year. (10 Marks)
- ii. Valuation of work-in-progress (3 Marks)
- iii. Accounting of Rama Limited (4 Marks)

QUESTION FIVE (20 MARKS)

- a) Explain four bases on which costs can be classified. (4 Marks)
- b) Sannet products Limited who manufactures and retails products, A, B and C employ sixty direct workers who work under a group of bonus scheme. The company engages three grades of workers who are paid a bonus of the excess of time allowed over time taken. The bonus paid is 75% of the workers base rate and is shared by the workers in proportion to the time spent on



the work. The following production data has been extracted from the company's record of April 2017.

Product	Units Produced	Time allowed per unit
A	320	63
B	640	120
C	1200	100

Grade of worker	No. of direct workers	Base rate per hour (sh)	Hours worked Per worker
1	20	30	30
2	8	27	64
3	32	24	50

Required:

- i. Percentage of hours saved to hours taken (6 Marks)
- ii. Bonus due to the group (6 Marks)
- iii. Gross earnings due to the group (4 Marks)

