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University Examinations 2023/2024

SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR
OF COMMERCE AND BUSINESS ADMINISTRATION

BFC 3227: COST ACCOUNTING/COST AND MANAGEMENT ACCOUNTING I

DATE: APRIL 2024

TIME: 2 HOURS

INSTRUCTIONS: Answer question *one* and any other *two* questions

QUESTION ONE (30 MARKS)

- Discuss the role of a cost accountant in the contemporary world. (5 marks)
- Is cost accounting a means to an end or an end in itself. Explain citing how it differs with financial accounting (8 marks)
- Discuss the main elements of cost (6 marks)
- A manufacturing company provides the following information for the month of October in 2019

Stocks on 1st October 2019 sh.

Raw materials	60,000
Work in progress	15,000
Finished goods	30,000

Stocks on 31st October 2019

Raw materials	45,000
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Work- in- progress	15,000
Finished goods	25,000
Purchases of raw materials	280,000
Factory wages	80,000
Salaries of supervisor	30,000
Factory rent	20,000
Power	15,000
Sundry factory expenses	15,000
Office salaries	15,000
Sundry office expenses	7,000
Salesmen's salaries	18,000
Sundry selling expenses	16,000
Sales	500,000

Required:

- i. Prepare a production cost statement
- ii. Prepare a profit statement (11 marks)

QUESTION TWO (20 MARKS)

- a) What do you understand by storekeeping? Explain the main features of effective storekeeping (10 marks)
- b) The stores ledger card for material m20 shows the following details for the month of August 2021

August	Units	Price per unit
1 Opening stock	1100	200
7 Received	4400	230
15 Issued	3500	-
21 Received	2000	250
27 Issued	2500	-
29 Closing stock	1500	

Required:

Prepare ledger cards for the above using the following methods of pricing materials issues

- i. First in first out (5 marks)
- ii. Last in first out (5 marks)

QUESTION THREE (20 MARKS)

a) Discuss the overhead apportionment bases (8 marks)

b) The following information relates to a factory which has four departments

i. Overhead

	Sh.
Rent	80,000
Repairs to plant	50,000
Depreciation of plant	40,000
Light and heat	20,000
Supervision	60,000
Repairs to buildings	30,000

ii. Information in respect of four departments

	Dept A	Dep B	Dep C	Dep D
Area sq:metres	1500	1200	800	500
Number of employees	35	25	25	15
Value of plant	500,000	300,000	200,000	-

Prepare an overhead analysis sheet showing clearly the basis of apportionment

(12 marks)

QUESTION FOUR (20 MARKS)

a) Discuss the importance of break-even point (5 marks)

b) A manufacturing company produced and sold 20000 units during the month of April. The following additional information was also provided

Direct materials	Sh.10 per unit
Direct labour	Sh.6 per unit
Variable over heads	Sh.4 per unit
Selling price per unit	Sh.20
Fixed overheads	Sh.40,000

Prepare a statement showing the marginal cost and the profit /loss for the month of April and calculate the break-even point (15 marks)

QUESTION FIVE (20 MARKS)

- a) What is marginal costing? Discuss how it's useful in decision making (8 marks)
- b) A manufacturing company can produce three products A,B,and C on a machine. The following information is provided in respect by these three product for a specified period (12 marks)

Products

	A	B	C
Sales	150,000	220,000	240,000
<u>Variable costs</u>			
Materials	50,000	120,000	150,000
Labour	25,000	40,000	30,000
Variable overheads	120,000	20,000	15,000

Fixed overheads sh.35,000

You are required to advice the company regarding the choice of the products (12 marks)