



**JARAMOGI OGINGA ODONGA UNIVERSITY OF SCIENCE AND
TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF
BUSINESS ADMINISTRATION – WITH IT
2ND YEAR 2ND SEMESTER 2013/2014 ACADEMIC YEAR
KISUMU L. CENTRE**

COURSE CODE: ABA 209

COURSE TITLE: COST ACCOUNTING

EXAM VENUE:LR

STREAM: (BBA)

DATE: 14/8/14

EXAM SESSION: 9.00 – 11:00 AM

TIME: 2 HOURS

Instructions:

- 1. Answer question 1 (compulsory) and any other 2 questions .**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE
AND TECHNOLOGY**

SCHOOL OF BUSINESS AND ECONOMICS

**UNIVERSITY EXAMINATION FOR DEGREE OF BACHELOR
OF BUSINESS ADMINISTRATION/BAHELOR OF LOGISTICS
AND SUPPLY CHAIN MANAGEMENT**

BBA Y2S2

KISUMU L.C

COURSE CODE: ABA 209 / BLM 3316

COURSE TITLE: COST ACCOUNTING

EXAM VENUE:

DATE:

TIME:

STREAM: BBA

INSTRUCTIONS:

- a) Answer question one (compulsory) and any other two questions.
- b) Candidates are advised not to write on the question paper.
- c) Candidates must hand in their answer booklets to the invigilator while in the examination room.
- d) Cheating is highly prohibited

QUESTION ONE:

Gumbaru ltd makes a chemical that passes through three production processes 1,2 and 3. In the month of October 2014, **5,000** litres of the basic raw material priced at shs 120,000 were introduced into process 1. Subsequently the following costs were incurred:

Process 1:

Direct labor shs 80,000

Direct expenses shs 30,000

At the end of the process, 4,800 litres were passed onto process 2.

Process 2:

Additional raw materials shs 66,300

Direct labor shs 60,000

Direct expenses shs 24,000

At the end of the process, 4,700 litres were passed onto process 3.

Process 3:

Additional raw materials shs 25,680

Direct labor shs 20,000

Direct expenses shs 4,800

At the end of the process, 4,680 litres were passed onto finished goods store.

Normal process losses for each of the three processes is:

Process 1- **3%**, Process 2-**2.5%** and Process 3- **0%**

The loss in each process resulted from evaporation due heating or due to spoilage and hence nothing of value could be from these losses. There were no stocks of materials or work in progress at the beginning of or end of the month. The output of each process passes directly to the next process at cost without any provision for internal profit. Manufacturing overheads are absorbed by each process at 25% of direct labor cost.

Required:

- a) Prepare process accounts for all the three processes
- b) Extract abnormal loss and abnormal gain accounts

(30 marks)

QUESTION TWO

1. Define the following terms

- a) Cost Accounting
- b) Financial Accounting

c) Management accounting

2. Briefly describe the purpose of Cost Accounting.

3. Compare and contrast Cost Accounting and financial Accounting

(20 Marks)

QUESTION THREE:

From the following information relates to Progressive Company that manufactures bolts for engineering works. It uses two components of materials ie X and Y.

Particulars	Component X	Component Y
Maximum consumption per week	75 Units	75 Units
Average consumption per week	50 Units	50 Units
Minimum consumption per week	25 Units	25 Units
Reorder period	4 -6 Weeks	2- 4 Weeks
Reorder quantity	40 Units	600 Units

Required:

For ease of production control for each component, compute:

- Reorder level
- Minimum stock level
- Maximum stock level
- Average stock level

(20 Marks)

QUESTION FOUR:

LMN ltd sells its products at Rs3 per unit. The company uses First in First out actual costing system. A new fixed manufacturing overhead allocation rate is computed each year by dividing the actual fixed manufacturing overhead cost by the actual production costs. The following simplified data are related to its first two years of its operation:

Details	Year 1	Year 2
Unit Data		
- Sales	1,000	1,200
- Production	1,400	1,000
Costs	Rs	Rs
- Variable Manufacturing	700	500
- Fixed Manufacturing	700	700
- Variable marketing and administration	1,000	1,200
- Fixed marketing and administration	400	400

Required:

Prepare income statements based on:

- a) Absorption costing and
- b) Variable costing for each year
- c) Give reasons for the difference in the answer to a and b above.

(20 Marks)

QUESTION FIVE:

- a) What are the main bases of overhead apportionment? (5 marks)
- b) From the following information, you are required to calculate:
 - a. Material price variance
 - b. Material usage variance and
 - c. Material cost variance
 - Quantity of materials purchased 3,000 units
 - Value of materials purchased \$9,000

Standard of quantity of materials required for one tone of finished product:

- Standard rate of material: \$ 2 per unit
- Opening stock of material: Nil
- Closing stock of material: 500 units
- Finished production during the period: 80 Tones

(15 Marks)

(20 Marks)