THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

HBC 2117: COST ACCOUNTING

BBA – 2ND YEAR 1ST SEMESTER EXAMS

SERIES: APRIL/MAY 2010.

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

1. The paper consists of **FIVE** questions.
2. Answer question **ONE** and any other **TWO** questions.

Q.1 (a) Explain any **FOUR** assumptions of EOQ. (4 marks)

(b) The following data relates to Material 10K used by Kojos Co. Ltd.

Date	**Receipts**	**Purchase Price**	**Issues.**
01/10/08	150 units	4.00	
05/10/08	100 units	4.50	
12/10/08			80 units
16/10/08			100 units
20/10/08	90 units	4.80	
24/10/08			100 units

Required:

(i) Prepare the Store Ledger using LIFO Pricing method. (4 marks)

(ii) Assuming issues were sales at 12/=, 15/= and 18/= per unit respectively, Calculate the Gross profit based on FIFO. (6 marks)

(c) The following data relates to Cost Estimates for the production product Y.

	Shs.
Direct Materials	87,500
Direct Wages	12,500
Direct Expenses	3,000
Indirect Factory Costs	17,000
Administration Costs	15,000
Distribution Costs	11,000
Selling expenses	14,000
Profit	20% on selling price.

Required:

Prepare a statement to show the selling price of item Y. (8 marks)

(d) Quick Ltd. manufacturers electric tubes and sells at 40/= per unit 2009 were 25,000 units.
Direct production cost per tube is 23/=. Fixed factor of overheads are shs.60,000 and the variable overheads shs. 2/= per tube.
Administrative and selling overheads are fixed at shs.20,000 variable shs.2 per unit of sales.
There were 1000 tubes at the beginning and 3,000 tubes at the end of the year.

Required:

Prepare a budgeted profit and Loss Statement for the period ended 31st December, 2009. (8 marks)

Q.2 Under a premium bonus scheme, workers are paid a guaranteed basic hourly minimum rate of pay plus a bonus of 50% of time saved. No payment is made beyond the time allowed, but the bonus which is paid at the basic hourly rate, is applicable to accepted (good) output only. Penalty is imposed on the rejected output at 3/= per unit. The following details are available for the month of January 2009.

	KEVIN	**AGNES**	**TERRY**
Time allowed per unit (hrs)	¼	1/6	½
Units produced	474	684	175
Units rejected	54	84	25
Time Taken (hrs)	78	72	80
Basic Pay per hours (shs)	6	6	4

Required:

From the above information, calculate for each employee.

(a) Bonus hours and the amount of bonus pay. (8 marks)
(b) The gross wages earned. (6 marks)
(c) The Labour cost of each good unit produced (to the nearest 10 cents) (6 marks)

Q.3 (a) XYZ Company Ltd. produces tubes for motor cycles. The budgeted figures were as follows:

	Cost per unit Shs.
Production costs:	
Direct Materials	120
Direct Labour	30
Variable Overheads	25
Fixed Overheads	45
Selling and Administration:	
Sales commission	12.5
General expenses	8
Overheads (Fixed)	12

During the year the company produced 20,000 tubes and sold 16,000 tubes and sold 16,000 tubes at a price of Kshs.300.

Required:

Profit & Loss Accounts on the basis of both Absorption and Marginal costing.

(b) Kauma Company Ltd. has three departments, preparations, machining and assembly. The budgeted direct labour hours for these three departments are 8,000, 12,000 and 10,000 respectively. The factory overheads are budgeted at Kshs.180,000 for the year and variable overheads are as under.

	Shs.
Preparation	24,000
Machinery	84,000
Assembly	60,000

The agreed hourly wage rates are:-

	Shs.
Preparation	12
Machining	20
Assembly	10

The following details relate to Job No.53.

	Shs.
Raw Materials	8,500
Bought in components	2,700

Direct Labour:

Preparation	50 hrs
Machining	200 hrs
Assembly	120 hrs

Painting by outside customer shs.3,200
Administration and Selling overheads are to be absorbed by adding 10% of all other costs.
Profit is charged at 25% total costs.

Required:

Draw up a cost estimate for Job No.53. (10 marks)

Q.4 The following information is provided for product zed during a financial year.

	Kshs.
Sales	600,000
Variable cost	350,000
Fixed cost	150,000
Selling price	120

Required:

(a) Draw a break-even chart and show the Margin of safety. (10 marks)

(b) Prepare a statement of operation to show profits earned if the company operated at sales of 516,000/=. (10 marks)

Q.5 (a) Vteli Ltd manufactures two products namely X and Y. The company uses two materials A and B in the manufacture for these products. The following information is given for the year 2009.

Products	**Budgeted Sales Quantity**	**Price (shs)**
X	10,000	40
Y	8,000	30

Materials used:

	A **Shs.**	**B** **Shs.**
Unit cost	5	8

Quantities used:		
X	5	3
Y	4	4
Other stock:		
X	X	Y
Y	500	300
Closing:	1000	500

Prepare:

(i) Material usage in quantitative budget. (8 marks)

(ii) Material purchase in value. (2 marks)

(b) The Standard Cost Card for production of a component is as follows:

Material – 1 Kg of Copper bar @4/= per Kg.
Labour – 25 hours for each 100 units at a rate of 16/= per hour.
Variable overheads – Kshs.48,000 for budget period.
Output – 24,000 units
Fixed overheads shs.120,000 for budget period.

Required:

(i) Prepare Standard cost for production of 1800 units. (10 marks)