

MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

***THIRD* YEAR *SECOND* SEMESTER**

**SCHOOL OF BUSINESS & CONOMICS**

**BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 302**

**COURSE TITLE:** **COST ACCOUNTING**

**DATE: 5TH MAY 2016 TIME: 11.00AM-1.00PM**

**INSTRUCTIONS TO CANDIDATES**

1. Answer Question **ONE** and any other **THREE** questions
2. Do not write on the question paper

*This paper consists of* ***5*** *printed pages. Please turn over.*

**QUESTION ONE**

a) Discuss any three ways in which the standard costing system facilitates the entire managerial process.  **(7 marks)**

b) A company manufacturing 'Distempers' operates a costing system. The standard cost of X one of the products of the company shows the following standards.

Materials Quantity Standard price per kg Total

 Sh Sh.

A 40 kg 75 3,000

B 10 kg 50 500

C 50 kg 20 1,000

Material cost per unit total 4,500

The standard input mix is 100 kg and the standard output of the finished product is 90 kg.

The actual results for the period are :

Materials used

A = 240,000 kg @ sh. 80 per kg

B= 40,000 kg @ sh. 52 per kg

A = 220,000 kg @ sh. 21 per kg

The actual output of the finished product = 420, 000 kg

**Required**

From the above, calculate the following variances

1. Materials price Variance
2. Material mix variance
3. Material yield variance **(12 Marks )**

c) Briefly discuss the following methods of cost accumulation.

 i) Job costing

 ii) Batch costing

 iii) service costing **(6 Marks )**

**QUESTION TWO**

a) Discuss the following terms

1. Absorption costing **(2 marks)**
2. Marginal costing **(2 marks)**
3. Standard costing **(2 marks)**

b) Accounting consultants limited secured a contract to build a swimming pool at a price of sh. 500,000.

The following details relate to the contract which began on 1st January 2015.

 Sh.

Machinery 30,000

Materials 170,600

Wages 148,750

Direct expenses 6,330

Outstanding wages 5,380

Uncertified work 9,000

Overheads 8,240

Material returned 1,600

Materials on hand -31/12/2015 3,700

Machinery on hand -31/12/2015 22,000

Value of work certified 390,000

Cash received 351,000

**Required**

Prepare the contract account for the year 2015 showing the amount of profit that may be taken to the credit of the statement of comprehensive income for the year. **(9 marks)**

**QUESTION THREE**

Solo Limited makes and sells a single product . The following data relate to periods 1 to 4

 sh.

Variable cost per unit 30

Selling price per unit 55

Fixed costs per period 6,000

Normal activity is 500 units and production and sales for the four periods are as follows :

 Period 1 units Period 2 units Period 3 units Period 4 units

Sales 500 400 550 450

Production 500 500 450 500

There were no opening stocks at the start of period 1

Required

1. Prepare operating statements for each of the periods 1 to 4 , based on marginal costing principles. **(5 marks)**
2. Prepare operating statements for each of the periods 1 to 4 , based on absorption costing principles. **(5 marks)**
3. Comment briefly on the results obtained in each period and in total by the two systems. **(5 marks)**

**QUESTION FOUR**

XYZ Company manufactures a product CREAM with various end uses. The company applies factory overheads to individual jobs on the basis of machine hours for department A, and on the basis of direct labour cost for department B. The following budget estimates were made by the company at the start of year 2015.

|  |  |  |
| --- | --- | --- |
|  | **Department A** | **Department B** |
|  | **Shs** | **Shs** |
| Direct material cost | 80,000 | 60,000 |
| Direct labour cost | 60,000 | 50,000 |
|  |  |  |
| Factory overheads | 60,000 | 40,000 |
| Direct labour hours | 4,000 | 5,000 |
| Machine hours | 12,000 | 750 |

Cost records kept by the company showed that Job No.12R consumed the following inputs during the year:

|  |  |  |
| --- | --- | --- |
|  | **Department A** | **Department B** |
|  | **Shs** | **Shs** |
| Materials issued | 500 | 1,500 |
| Direct labour cost | 480 | 400 |
|  |  |  |
| Direct labour hours | 40 | 50 |
| Machine hours | 1,50 | 10 |

**Required:**

1. Determine the overhead application rate for both department A and B.

 **(4 Marks)**

1. Calculate the total cost of Job No.12R. **(4 marks )**
2. Suppose the job consists of 500 items, what would be the cost per unit?

 **(2 marks)**

1. At the end of the year 2015, total factory overheads incurred amounted to shs.97,500. A total of 11,000 machine hours were worked in department A while the total labour cost for department B was Shs.54,000. Calculate the over- or under- applied overheads for the company as a whole and indicate whether it is favourable or unfavourable. **(5 marks )**

**QUESTION FIVE**

a) Briefly describe the purpose of cost accounting **(5 marks)**

b) Outline three disadvantages of standard costing **(5 marks)**

c) Discuss any three differences between cost accounting and financial accounting **(5 marks)**

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