EMBU UNIVERSITY COLLEGE

(A Constituent College of the University of Nairobi)

2015/2016 ACADEMIC YEAR

SECOND SEMESTER EXAMINATIONS

FIRST YEAR EXAMINATION FOR THE DIPLOMA IN PROCUREMENT

BBA109 COST ACCOUNTING MANAGEMENT

DATE: APRIL 13, 2016 **TIME: 11:00-1:00**

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE

a) Explain the meaning of cost accounting and its scope. (5 marks)

b) Financial accounting and cost accounting are two different accounting systems. Identify and explain the differences between the two systems. (5 marks)

c) Briefly explain Cost Volume Profit (CVP) analysis and give its assumptions. (5 marks)

d) State and explain two advantages and two disadvantages of budgetary control. (4 marks)

e) Using diagrams differentiate between fixed cost and variable cost (3 marks)

f) Write short notes on the following

i) Break-even point (2 marks)

ii) Contribution (2 marks)

iii) Marginal costing (2 marks)

iv) Absorption costing (2 marks)

QUESTION TWO

a) State the meaning of cost and explain its elements. (5 marks)

b) Coca-Cola Ltd provided the following information with respect to their products.

Estimated FC = Kshs 1,200,000

Variable cost = Kshs 200 per unit

Selling price = Kshs 400 per unit

Required:

i) Calculate the number of units to be sold so as to break even (3 marks)

ii) How many units must be sold to earn Kshs 300,000 target profit (3 marks)

iii) What profit would result if 800 units are sold? (3 marks)

iv) What selling price will have to be charged to have a net profit of Kshs 3,000 on sales of 8,000 units? (3 marks)

v) How many additional units must be sold to cover the extra fixed cost of Kshs 800,000 incurred in advertising? (3 marks)

QUESTION THREE

a) Define the following terms:

i) Budget (2 marks)

ii) Budgeting (2 marks)

iii) Budgetary control (2 marks)

b) The following information was extracted from the books of KK Ltd regarding its budget for the 2nd quarter of 2013.

Sales

February Kshs 50,000

March Kshs 40,000

April-June Kshs 60,000 per month

Half the sales are cash. 90% of the credit sales are collected in the month following the month of sale and the balance one month later. Purchase budget for the 2nd quarter (April-June) was 15,000 units, 18000 units and 25,000 units respectively at Kshs 2 per unit. Purchases are made in cash so as to take advantage of a cash discount of 5%. Wages and salaries for the 2nd quarter are budgeted at Kshs 13,000 per month.

Manufacturing and other expenses for the quarter are:
Cash expenses Kshs 3,000 per month
Depreciation Kshs 5,000 per month
Selling expenses Kshs 2,000 per month
Administration expenses Kshs 4,000 per month

Required:

Prepare a cash budget for the 2nd quarter. (14 marks)

QUESTION FOUR

a) The following data relate to X ltd

i) No Opening stock
ii) Units produced 120,000 units
iii) Units sold 100,000 units
iv) Factory overheads (fixed) Shs. 200,000
v) Variable factory overheads Shs. 714,000
vi) Selling prices per unit Shs. 40

Required:

a) Find the net profit under:

i) Absorption costing. (10 marks)
ii) Marginal costing. (10 marks)

QUESTION FIVE

a) State and explain four objectives of cost accounting (8 marks)

b) Bamburi manufacturing Company has the following information for the month of March 2014

Stocks on 1st March 2014

Raw material	24,000.00
Work-in-progress	7,200.00
Finished goods	12,000.00
Stocks on 31st march 2014	
Raw material	21,000.00
Work-in-progress	10,200.00
Finished goods	13,800.00
Purchase of raw material	150,000.00
Factory wages	48,000.00
Salaries of supervisors	18,000.00
Factory rent	6,000.00
Power	3,000.00
Sundry factory expenses	9,000.00
Office salaries	7,800.00
Sundry office expenses	4,200.00
Sales men's salaries	10,800.00
Sundry selling expenses	3,600.00
Sales	300,000.00

Required:

Bamburi Company Ltd cost statement for the period ended March 2014 (12 marks)

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