

**W1-2-60-1-6**

## JOMO KENYATTA UNIVERSITY

**OF**

**AGRICULTURE AND TECHNOLOGY**

# University Examinations 2014/2015

**FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE CERTIFICATE OF ACCOUNTING AND FINANCE MANAGEMENT**

**HCB 0115 : ELEMENTS OF COST ACCOUNTING**

**DATE: APRIL 2015 TIME: 1½ HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND**

**ANY OTHER TWO QUESTIONS.**

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**QUESTION ONE (30 MARKS)**

Show your thorough understand on the following managerial accounting concepts: (attempt any five parts).

(a) Explain the meaning of the terms:

1. Cost object. [1 mark]
2. Prime cost. [1 mark]
3. Opportunity cost. [1 mark]
4. Sunk cost. [1 mark]

(b) Give five differences between management and financial accounting.

[4 marks]

(c) Distinguish between direct and indirect cost. [4 marks]

(d) With examples, differentiate between avoidable and unavoidable cost. [4 marks]

(e) Why are direct costs directly traced to cost object easier than indirect costs? [4 marks]

(f) What is relevant cost? [4 marks]

**QUESTION TWO (20 MARKS)**

(a) Define the term “contribution margin” as applied in cost volume profit analysis. [4 marks]

(b) Apendezae shop sells wedding dresses. The price and cost of each dress is comprised of the following:

Selling price of Tshs. 1,000 and variable costs of Tshs. 400

Total fixed costs for Apendezae shop are Tshs. 90,000.

**Required:**

1. What is the contribution margin per dress? [4 marks]
2. What is the Apendezae shop’s total profit when 200 dresses are sold? [4 marks]
3. How many dresses must Apendezae shop sell to reach the break-even point? [4 marks]
4. How many dresses must Apendezae shop sell to yield a profit of Tshs. 60,000? [4 marks]

**QUESTION THREE (20 MARKS)**

The following data have been taken from the accounting records of Pambaneni Co. Ltd. for the year just completed:

|  |  |  |
| --- | --- | --- |
|  | **Dr** | **Cr** |
| Administrative expenses | 600,000 |  |
| Direct labour | 800,000 |  |
| Finished goods inventory, beginning | 280,000 |  |
| Finished goods inventory, ending | 640,000 |  |
| Manufacturing overheads | 920,000 |  |
| Purchase of raw materials | 480,000 |  |
| Raw materials inventory, beginning | 160,000 |  |
| Raw materials inventory, ending | 280,000 |  |
| Sales |  | 3,960,000 |
| Selling expenses | 560,000 |  |
| Work in progress, beginning | 280,000 |  |
| Work in progress, ending | 200,000 |  |
| Creditors - trade |  | 1,240,000 |
|  | 5,200,000 | 5,200,000 |

**Additional information:**

Cost of goods sold can be taken as Tshs. 2,000,000

**Required:**

What was the net income for the year? [20 marks]

**QUESTION FOUR (20 MARKS)**

Identify the best answer among the following multiple choice:

I. Which phrase best describes the current role of managerial accounting? [2 marks]

(a) Managerial accountants prepare the financial statements for an organization.

(b) Managerial accountants facilitate the decision making process within an organization.

(c) Managerial accountants make the key decisions within an organization.

(d) Managerial accountants are primarily information collectors.

(e) Managerial accountants are solely staff advisors in an organization.

II. An example of qualitative data is: [2 marks]

(a) Product cost.

(b) Customer satisfaction.

(c) Net income.

(d) Inventory cost.

(e) Net worth.

III. Product and service costing information is prepared for: [2 marks]

(a) Manufacturing companies with inventory.

(b) Merchandizing companies.

(c) Service providers.

(d) Each of the other four answers.

(e) Manufacturing companies without inventory.

IV. Manufacturing costs typically consist of: [2 marks]

(a) Direct materials, direct labour and manufacturing overhead.

(b) Production and shipping costs.

(c) Production and marketing costs.

(d) Direct materials, direct labour and administration costs.

(e) Direct materials, direct labour, marketing and administrative costs.

V. In comparison to the traditional manufacturing environment, overhead costs in a JIT environment all the following are true except:

[2 marks]

(a) Are more easily traded to products.

(b) Are frequently direct in nature.

(c) Include rent, insurance and utilities.

(d) Most of the costs are likely to be indirect in nature.

(e) Labour need not be traded to the product.

VI. As production increases within the relevant range: [2 marks]

(a) Variable costs will vary on a per unit basis.

(b) Variable costs will vary in total.

(c) Fixed costs will vary in total.

(d) Fixed and variable cost stay the same in total.

(e) None of the other four answers is true.

VII. You are given the cost and volume information below: [2 marks]

**Volume Cost (Tshs.)**

1 unit 15

10 units 150

100 units 1500

What type of a cost is given:

(a) Fixed cost.

(b) Variable cost.

(c) Step cost.

(d) Mixed cost.

(e) Rent cost.

VIII. Which of the following statements regarding graphs of fixed and variable cost is true? [2 marks]

(a) Variable cost can be represented by a straight line where costs are the same for each data point.

(b) Fixed costs can be represented by a straight line starting at the origin and continuing through each data point.

(c) Fixed costs are zero when production is equal to zero.

(d) Variable costs are zero when production is equal to zero.

(e) Fixed and variable costs are curvilinear form above zero on the “Y” axis.

IX. All of the following statements regarding budgeting is true except:

[2 marks]

(a) Budgeting helps managers determine the resources needed to meet their goals and objectives.

(b) Budgeting is a key ingredient in good decision making.

(c) Budgeting is a bookkeeping task.

(d) The focus of budgeting is planning.

(e) Budgeting is an executive responsibility.

X. The time value of money focuses on: [2 marks]

(a) Accounting net income.

(b) Earnings per share.

(c) Cash flow.

(d) Current earnings.

(e) Accrual net income.