

W1-2-60-1-6

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

**UNIVERSITY**

**SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DIPLOMA IN ACCOUNTING FINANCE /**

**DIPLOMA IN PROCUREMENT AND SUPPLIES MANGEMENT**

**HEP 0205: COST ACCOUNTING**

**DATE: AUGUST 2018 TIME: 1 ½ HOURS**

INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND ANY

OTHER TWO QUESTIONS

**QUESTION ONE: 30 MARKS**

a. What is the major purpose of cost volume profit (CVP) analysis?

(2 marks)

b. State five assumptions of the cost volume profit analysis. (10 marks)

c. Bidco Oil Company makes a single product Q with a sales price of Tshs. 10,000 per unit. Fixed costs are estimated at Tshs. 6,000,000 per month whereas variable costs are Tshs. 4,000 per unit.

Required:-

i. The number of units to break ever. (4 marks)

ii. Break ever point in Tshs. (3 marks)

iii. What level of sales in units will achieve a target profit of

Tshs. 2,000,000? (4 marks)

iv. If taxation rate is 25% how many units of product Q need to be sold to achieve a target profit after tax of Tshs. 2,000,000?

(7 marks)

**QUESTION TWO: 15 MARKS**

a. Describe briefly and precisely the differences between cost accounting management accounting and financial accounting. (5 marks)

b. Classification of costs means grouping costs according to their common characteristics.

Required:-

State four major classification of costs and provide a brief explanation of each. (10 marks)

**QUESTION THREE: 15 MARKS**

a. Write short notes on the following terms:- (10 marks)

i. Budget.

ii. Fixed budget.

iii. Flexible budget.

iv. Activity based budget.

v. Master budget.

b. Mention four benefits gained from budgeting. (5 marks)

**QUESTION FOUR: 15 MARKS**

a. Define the following terms:- (2 marks)

i. Prime cost.

ii. Conversion cost.

b. The Superdoll Manufacturing Company provides the following information for the month of June 2018:-

|  |  |  |
| --- | --- | --- |
| **Stock:** | **(Tshs. ‘000)** | |
| * Direct materials 1/6/2018 | 90,000 | |
| * Direct materials 30/6/2018 | 130,000 | |
| * Work in progress 1/6/2018 | 44,000 | |
| * Working in progress 30/6/2018 | 38,000 | |
| Direct material purchases | 1,340,000 |
| Carriage inwards | 20,000 |
| Direct wages | 560,000 |
| General factory expenses | 216,000 |
| Factory supervisor’s salaries | 110,000 |
| Depreciation of plant | 70,000 |
| Delivery van expenses | 90,000 |
| Depreciation on office equip. | 10,000 |
| General office expenses | 164,000 |
| Salesmen’s salaries | 160,000 |
| Royalty fees | 12,000 |

Required:-

Prepare cost statement for June 2018 showing clearly cost classifications for:-

(13 marks)

i. Prime cost

ii. Production cost

iii. Total administrative overheads

iv. Total selling and distribution overheads

v. Total cost

**QUESTION FIVE: 15 MARKS**

a. What is the difference between absorption costing and marginal costing? (2 marks)

b. Industrial Chemicals Ltd produces and sells a single product Z. In July 2017, the company produced 20,000 units of the product but sold 18,000 units only to its customers. The following costs and sales data were extracted from the company’s records for month of July 2017

|  |  |
| --- | --- |
|  | **(Tshs. ‘000)** |
| Sales | 100,000 |
| Production costs: |  |
| -Variable | 35,000 |
| -Fixed | 15,000 |
| Administrative and selling overheads: |  |
| -Fixed | 25,000 |

Required:-

Prepare operating statements under:- (13 marks)

i. Absorption costing.

ii. Marginal costing.