



KENYATTA UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017
SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF
COMMERCE

BAC 202: COST ACCOUNTING I

DATE: Wednesday, 10th May, 2017

TIME: 11.00 a.m. - 1.00 p.m.

INSTRUCTIONS:

- ✓ Answer **ALL** questions.
- ✓ Show all your workings.

Question One:

Alfa Ltd has three production departments and two service departments. The following is their budgeted factory overheads for the year ended 30th September 2009.

Production Departments		
A	240,000	
B	180,000	
C	220,000	640,000
Service Departments		
X	86,000	
Y	44,000	130,000
		770,000

The service department costs are to be re-appointed as per the following percentages:

	A	B	C	X	Y
X	20	30	35	-	15
Y	30	30	30	10	-

Required:

- a) Re-apportion the service department costs to the production departments using simultaneous equation method. (7 marks)
- b) You are informed that the overheads are absorbed on the basis of the direct labour hours and the budgeted labour hours for the departments are given below:
Department A - 1000 hours
Department B - 2500 hours
Department C - 4000 hours

Required:

Determine the overhead absorption rates per hour for the three production departments. (6 marks)

- c) In multi-departments production situation explain the role of service departments. (2 marks)
- (Total: 15 marks)

Question Two:

The following data of X Ltd is provided to you.

-	Opening stock (20,000 units) - valued at marginal costing Shs.400,000 and total cost of Shs.560,000	
-	Units produced	120,000 units
-	Units sold	132,000 units
-	Factory overheads (fixed)	Shs.200,000
-	Variable factory overheads	Shs.714,000
-	Selling costs	
	i) Variable	Shs.680,000
	ii) Fixed	Shs.100,000
-	Selling prices per unit	Shs.40

Required:

- a) Prepare the profit and loss statement using
- i) Absorption costing (7 marks)
- ii) Marginal costing (6 marks)
- b) What are the main points of differences between absorption costing and marginal costing? (3 marks)

- c) What are the advantages and disadvantages of absorption costing? (4 marks)
(Total: 20 marks)

Question Three:

- i) Explain the concept of absorption of overheads. When do over and under absorption occur? How are these situations treated? (5 marks)
- ii) Consider the following information and use it to estimate the costs in the form of $Y=a+bx$

Units	34	44	24	36	30	49	39	21	41	47	34	24
Costs	340	346	287	262	220	416	337	180	376	295	215	275

Required:

- a) Estimate the cost function using least squares method. (11 marks)
- b) What will be the cost of producing 75 units? (4 marks)
(Total: 20 marks)

Question Four:

- a) Explain five differences between cost accounting and financial accounting. (5 marks)
- b) Outline five objectives of cost accounting. (5 marks)
- c) Explain the following terms:
- i) Reorder level (2 marks)
 - ii) Economic order quantity (2 marks)
 - iii) Maximum stock level (1 mark)