



**THE CATHOLIC UNIVERSITY OF EASTERN AFRICA**  
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**GABA CAMPUS – ELDORET**  
**MAIN EXAMINATION**  
**SEPTEMBER – DECEMBER 2021 TRIMESTER**  
**SCHOOL OF BUSINESS**  
**BACHELOR OF COMMERCE**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**  
**CAC 211: COST ACCOUNTING**

<b>Date:</b> December 2021	<b>Duration:</b> 2 Hours
<b>Instructions:</b> Answer Question <b>ONE</b> and any other <b>TWO</b> Questions	

**QUESTION ONE**

- a) The following information has provided regarding Bidi Ltd for the month of January

<b>Date</b>	<b>Purchases</b>	<b>Issues</b>	<b>Unit cost</b>
3	3,400		50
4 <sup>th</sup>		4,200	60
6	4,600		70
12		3,700	75
14	5,000		80
18	4,800		82
20		5,200	90
22	3,600		83
25		3,800	95
26	4,100		85
27	3,500		82
28	4,200		84
29		10,500	100

The closing balance as at 31<sup>st</sup> December 2020 was 5,000 units received at unit price of Kshs 65

**Required;**

- a) Calculate the value of inventory using perpetual inventory records using
  - i) FIFO Method **(8 marks)**
  - ii) LIFO method **(8 marks)**
  - iii) AVCO method **(8 marks)**
  
- b) Mention and explain importance of cost accounting in the society **(6 marks)**

**QUESTION TWO**

Toyota Kenya manufacture and sells two spare part X and part Y.

The following details has been provided to you relating products

	<b>Product X</b>	<b>Product Y</b>
	Kshs	Kshs
Selling price per unit	50,000	65,000
Direct Materials	9,000	12,000
Direct labor	7,000	11,000

Details for month of July and August are follows

	<b>PRODUCT X</b>		<b>Product Y</b>	
	July	August	July	August
Production of the products	1,200	1,500	8,000	7,500
Sales of products	1,750	1,800	8,800	7,800

Fixed productions overheads are budgeted at Kshs 200,000 and 320,000 per month for product X and Y respectively and are absorbed on a unit basis. The normal level of production is budgeted at 2,000 units and 2,800 units per month for product X and Y respectively

**Other costs**

- Fixed selling's 16.5% of sales of both product
  - Fixed administration 8.5% of Gross profit
  - Variable sales commission 4.77% of sales
- Opening inventory was 1,800 and 2,500

**Required;**

Prepare a profit statement using absorption costing and marginal principles for the month of July and August and profit reconciliation **(20 marks)**

**QUESTION THREE**

- a) In the modern economy cost accounting plays a very crucial role. With suitable example explain the role of accounting to an economy **(4 marks)**
- b) You have been invited to give a talk to a newly form company regarding the newly set up cost accounting department of which some managers are oppose to its cost accountant how do you convince the to set up this department.Explain

**(4 marks)**

ABC ltd manufactures two products P and Q and below is the details of the two products

Product P	shs
Selling price	45
Variable cost per unit	15
<b>Fixed cost</b>	<b>50,000</b>
Product Q	shs
Selling price	35
Variable cost per unit	12
Fixed cost	34,000

**Calculate;**

- c) Break-even point of each product in units **(6 marks)**
- d) Computer the revenue and profit for each product if sales are 20% above break-even **(6 marks)**

**QUESTION FOUR**

- a) Discuss four main features of contract costing. **(5 marks)**
- b) Mention and explain 10 functions of purchasing departments **(10 marks)**
- c) Name and explain the main cost centers **(5 marks)**

## QUESTION FIVE

- a) What the benefits of cost accounting to an organization? **(11 marks)**
- b) With examples distinguish between the following
- i) Fixed costs and variable cost **(3 marks)**
  - ii) Prime cost and overheads cost **(3 marks)**
  - iii) Direct labour and indirect labour **(3 marks)**

**\*END\***