



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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GABA CAMPUS – ELDORET

MAIN EXAMINATION

SEPTEMBER – DECEMBER 2022 TRIMESTER

SCHOOL OF BUSINESS

BACHELOR OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

CAC 323: ADVANCE COST ACCOUNTING

<b>Date: December 2022</b>	<b>Duration: 2 Hours</b>
<b>Instructions: Answer Question ONE and any other TWO Questions</b>	

## QUESTION ONE

KK Ltd. has furnished the following information from the financial books for the year ended 31st march 2021.

	Kshs		Kshs
To opening stock (500 units @ 140 each)	70,000	By sales (10250 units)	2,870,000
To materials consumed	1,040,000	By closing stock (250 units @ 200 each)	50,000
To wages	6,00,000		
To factory overheads	379,000	By Interest	1,000
To office overheads	424,000	By Rent Received	40,000
To selling expenses	220,000		
To Bad debts	16,000		
To Preliminary expenses	20,000		
To Net Profit	192,000		
	<b>2,961,000</b>		<b>2,961,000</b>

The cost sheet shows the cost of materials @ Kshs 104 per unit and the labour cost at Kshs 60 per unit. The factory overheads are absorbed at 60% of labour cost and administration overheads at

20% of factory cost, selling expenses are charged at Kshs 24 per unit. The opening stock of finished goods is valued at Kshs 180 per unit.

**Required;**

- i) Prepare a statement of cost & profit as per costing records for the year ended 31st March 2016
- ii) Prepare memorandum reconciliation Account reconciling the profits as disclosed in costing records with the profits shown in financial accounts.
- iii) Statement of cost and Profit as per cost records for the year ended 31st march, 2021

**QUESTION TWO**

- a) Explain the areas in which cost accounting may be useful in an organization

**(5 Marks)**

- b) With reference to accounting for overheads in the cost centers of an organization. Explain the relevance of activity based costing in allocating cost to products

**(5 Marks)**

- c) DT Dobie manufacture and sells two spare part A and part B. The following details has been provided to you relating products

	<b>Product A</b>	<b>Product B</b>
	<b>Kshs</b>	<b>Kshs</b>
Selling price per unit	1,000	2,500
Direct Materials	200	400
Direct labor	150	210

Details for month of July and August are follows

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

Fixed production overheads are budgeted at Kshs 200,000 and 320,000 per month for product A and B 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.

**Other costs**

Fixed selling's	13.5% of sales of both product
Fixed administration	7.5% of Gross profit
Variable sales commission	12% of sales
Opening inventory was 1,300 and 1,500	

**Required;**

- a) Prepare a profit statement using absorption costing and marginal principles for the month of July and August and profit reconciliation **(10 Marks)**

**QUESTION THREE**

The following balances have been extracted from the books of XYZ Ltd as at 30<sup>th</sup> June 2017.

Stocks at 1 July 2002:	Kshs
Raw materials	6,500
Work in progress	7,900
Finished goods	18,430
Factory wages:	-
Direct	143,000
Indirect	54,600
Royalties	1,290
Electricity and power	13,000
General factory expenses	27,000
Maintenance expenses	17,540
General office expenses	28,950
Purchases of raw materials	124,000
Sales	565,000
Depreciation of plant and machinery	9,000
Provision for unrealized profit	4,500

**Additional information**

1. At 30 June 2017 stocks were as follows:

Kshs

Raw materials    4,980

Work in progress 6,950

Finished goods   21,500

2. Electricity and power and Maintenance expenses are to be apportioned 80% to the factory and 20% to the company's offices.

3. At 30 June 2017 an electricity bill of 1,800 remained unpaid and maintenance costs paid in advance amounted to Ksh1, 760.

4. The company always transfers finished goods from the factory to the warehouse at factory cost plus 35%.

**Required;**

- a) Prepares the cost of production. **(14 Marks)**
- b) Explain the following terms as used in manufacturing accounts
  - i) Prime cost **(2 Marks)**
  - ii) Work-in progress **(2 Marks)**
  - iii) Overheads cost **(2 Marks)**

**QUESTION FOUR**

- a) In a joint product situation, explain the reason why it is important to allocate joint costs to product **(8 Marks)**
- b) Distinguish between joint product and by product and explain the difference in accounting treatment between them **(7 Marks)**
- c) Discuss in detail the role of cost accountant in management process **(5 Marks)**
- d) Mention and explain importance of cost accounting in the society **(6 Marks)**

**\*END\***