



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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**MAIN EXAMINATION**

**JANUARY – APRIL 2017 TRIMESTER**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**EVENING PROGRAMME**

**CAC 211: COST ACCOUNTING**

<b>Date: April 2017</b>	<b>Duration: 2 Hours</b>
<b>INSTRUCTIONS: Answer Question ONE and any other TWO Questions</b>	

- Q1. a) Pioneer Industries Limited manufacturers of ceramic products, supplies you with the following information for the month ended 30<sup>th</sup> September 2016

	<b>Shs</b>
Stock of raw materials on 1-9-2016	75,000
Stock of raw materials on 30-9-2016	91,500
Direct wages	52,500
Indirect wages	2,750
Sales	200,000
Work in progress on 1-9-2016	28,000
Work in progress on 30-9-2016	35,000
Purchase of raw materials	66,000
Factory, rates and power	15,000
Depreciation of plant and machinery	3,500
Expenses on purchases	1,500
Carriage outwards	2,500
Advertising	3,500
Office rent and taxes	2,500
Salesman's wages and commission	6,500
Stock of finished goods 1-9-2016	54,000
Stock of finished goods 30-9-2016	31,000

Required:

Draw up statements to provide the following information for the month ended 30 September 2016.

- Prime cost
- Production or manufacturing cost
- Costs of sales
- Net profit

**(14 marks)**

- b) Ujuzi enterprising company Ltd operates the Rowan premium bonus scheme for its production workers. During the week ended 25<sup>th</sup> January 2016, Musyoka whose basic hourly rate pay is shs 80 was assigned the following

Job No	Time allowed (hours)	Time taken (hours)
120	24	18
340	40	25

Required:

Musyoka's remuneration for the week (show all necessary workings)

**(6 marks)**

- c) Two components in a paint mixing factory A and B are used as follows

Reorder quantity

A: 24,000 units

B: 22,000 units

Reorder period

A: 4 - 6 weeks

B: 3 - 5 weeks

Normal usage: 3,000 units per week each

Minimum usage: 1,500 units per week each

Maximum usage: 4,500 units per week each

You are required to calculate for each of the components

- Reorder level
- Minimum stock level
- Maximum stock level

**(10 marks)**

- Q2. a) The following transactions occur in the purchase of agricultural fertilizer, during the first quarter of the year 2016

Jan 2	Purchased	4,000 units @ shs 40 per unit
Jan 20	Purchased	500 units @ shs 50 per unit
Feb 5	Issued	2000 units
Feb 10	Purchased	6,000 units @ shs 60 per unit
Feb 12	Issued	4,000 units
March 2.	Issued	1,000 units
March 5	Issued	2,000 units
March 15	Purchased	4,500 units @ shs 55 per unit
March 20	Issued	3,000 units

From the above information prepare the stores ledger card by using

- First in First out (FIFO) method
- Last in First out (LIFO) method

Indicate the value of stock - on- hand at the end of the period according to each of the two methods.

**(15 marks)**

- b) Several methods are used for valuing materials issues in cost accounting. Discuss the following methods of material issues and their impact on the value of closing stock between the two methods
- i First in, First out (FIFO)
  - ii Last in, First Out (LIFO)
- (5 marks)**

Q3. Comcast manufacturing Co. has four departments P,Q,R and S. S is a service department while the other three are production departments. For the year ended 31<sup>st</sup> March 2016 the following overhead costs were incurred.

	Shs
Rent	100,000
Repairs to plant and machinery	32,000
Depreciation plant and machinery	36,000
Power and light	9,600
Supervision	96,000
Fire insurance	10,000
Employers liability insurance	8,000

The following information is available in respect of the four departments.

	P	Q	R	S
Number of employees	40	30	20	10
Area in square meters	3,800	1,200	2,200	800
Total wages	Shs 216,000	144,000	96,000	48,000
Value of stock	Shs 480,000	240,000	120,000	60,000
Value of plant and machinery	Shs 840,000	600,000	360,000	120,000

Required:

Apportion the overhead costs to various departments on the most equitable basis and indicate the base used in each case.

**(20 marks)**

Q4. Mjengo Builders has been engaged to construct a building to serve as the head office of Ushirika Cooperative society. Construction work commenced in 1<sup>st</sup> July 2016 and the following information was extracted from Mjengo Builders accounting records 30<sup>th</sup> November 2016.

	Shs
Contract price	5,000,000
Payment for direct wages	2,400,000
Accrued wages 30 November	100,000
Material issued	2,750,000
Materials returned to store	25,000
Plant and equipment at cost 1 June	1,500,000
Installation costs	1,250,000
Payment for direct expenses	750,000
Direct expenses accrued 30 November	50,000
Value of plant and equipment 30, Nov	1,000,000
Cost of work not yet certified	500,000
Cash received from Ushirika Cooperative society	7,500,000
Value of work certified	8,000,000
Materials on site 30 November	275,000

Required:

- a) Prepare the contract account for the building for the six months to 30<sup>th</sup> November 2016, as it would appear in the records of Mjengo Builders Ltd. For purposes of the profit computation assume that the contract is 30% to 80% complete. **(16 marks)**
- b) Determine the amount to be shown as work-in-progress in the records of Mjengo Builders as at 30<sup>th</sup> November 2016. **(4marks)**

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