



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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**MAIN EXAMINATION**

**JANUARY – APRIL 2017 TRIMESTER**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**REGULAR PROGRAMME**

**CAC 211: COST ACCOUNTING**

**Date: April 2017**

**Duration: 2 Hours**

**INSTRUCTIONS: Answer Question ONE and any other TWO Questions**

Q1. a) PQR Ltd deal primarily with product QEO. Information relating to this product was as follows;

Monthly consumption 50,000 units  
Cost of ordering per order shs 200  
Price per unit shs. 40  
Carrying cost per unit 10%

Required

- i) The economic order quantity **(3marks)**
- ii) Number of orders per day **(2marks)**

b) Developers limited is a registered firm of buildings consultants and engineers. They have been awarded a contract to construct a county office in Molo and have the following cost structure.

	31 <sup>st</sup> Dec, 2012:	shs
Direct materials purchased		20,000,000
Material from stores		5,000,000
Materials returned		2,000,000
Direct labour		15,000,000
Consultants		3,000,000
Machinery and equipment		2,000,000
Work certified		50,000,000
Work not certified		10,000,000

Price/cost of project	70,000,000
Cash received	45,000,000
Plant on site 31/12/2012	1,000,000

Required

Contract A/C **(6marks)**  
 Contractee A/C **(2marks)**

c) Explain the following terms as used in cost accounting **(6marks)**

- i) Cost units
- ii) Cost centre
- iii) A cost
- iv) Cost allocation

d) The following data was provided by cost accountant of Umoja manufacturing company. It relates to wage payment to employees for contractual work.

- Standard time allowed to work 60hrs
- Actual time worked 40hrs

The wage rate per hour is sh. 200. Required calculate the total wages payable using

- i) Halsey premium plan **(2marks)**
- ii) Halsey – weir premium plan **(2marks)**
- iii) Rowan scheme **(2marks)**

e) Data relating to a cost centre for a certain period was as follows

	<u>shs</u>
Total overheads for the period	510,000
Total direct labour hours for the period	800
Total direct wages	136,000
Total direct materials used	255,000
Total machine hours	1,200
Total units produced	45

Required

Calculate any three different overhead absorption rates from the above information **(5marks)**

Q2. a) the following information relates to Laki manufacturing company for the month of September 2016

Opening stock were 500 units @ sh. 100 each

**Purchases**

20<sup>th</sup> Sept 600 units @ sh. 110 each  
21<sup>st</sup> Sept 400 units @ sh. 108 each  
23<sup>rd</sup> Sept 1000 units @ sh. 112 each  
27<sup>th</sup> Sept 500 units @ sh. 107 each  
30<sup>th</sup> Sept 200 units @ sh. 110 each

**Sales**

15<sup>th</sup>Sept 300 units  
22<sup>nd</sup>Sept 400 units  
24<sup>th</sup> Sept 250 units  
26<sup>th</sup>Sept 500 units  
28<sup>th</sup>Sept 200 units  
29<sup>th</sup>Sept 450 units

Required: record the above transactions in a stores ledger card using:-

- i) FIFO method **(7marks)**
  - ii) LIFO method **(7marks)**
- b) Explain three ways in which we can classify costs by function giving examples in each case. **(6marks)**
- Q3. a) Distinguish between cost accounting and financial accounting. **(4marks)**
- b) The following information is extracted from the records of a manufacturing company that is divided into four departments

	<b><u>shs</u></b>
Rates	25,000
Depreciation – Buildings	45,000
- Machinery	20,000
Building Maintenance	15,000
Insurance – Buildings	5,000
- Machines	4,000
- Stocks	12,000
- Work men’s compensation	4,000
Electricity – Lighting	20,000
- Power	24,000
Supervision	60,000
Personnel, time keeping and payroll	40,000
Canteen expenses	12,000

		<u>Dept. A</u>	<u>Dept. B</u>	<u>Dept. C</u>	<u>Dept. D</u>
Area (sq.metres)		4000	2000	3000	1000
Value of machines	sh.	80,000	60,000	60,000	-
Running hours of machines		15,000	7,000	8,000	-
Average value of stocks	sh.	20,000	15,000	15,000	10,000
Wages paid	sh.	120,000	170,000	80,000	30,000
Number of employees		15	20	10	5

Required: 3.

Apportion the costs to the four departments indicating clearly which base you have chosen as most appropriate. Give reason as to why you have chosen that particular base. **(16marks)**

- Q4. a) The following information is available from the books of ideal manufacturing company limited:-

<b><u>Stock on January 1, 19-7</u></b>	sh
Raw material	25,000
Work in progress	38,000
Finished goods	42,000
<b><u>Stocks on December 31, 19-7</u></b>	
Raw material	30,000
Work in progress	32,000
Finished goods	45,000
Purchases of raw materials	280,000
Carriage inwards	7,000
Returns of raw materials	13,000
Direct wages	80,000
Salaries (40% factory, 30% office, 30% salesmen)	60,000
Rent (30% factory, 30% office, 40% warehouse)	40,000
Factory power	15,000
Factory expenses	20,000
Administration expenses	12,000
Selling and distribution expenses	18,000
Sales	650,000

Required:

- i) Prepare a production cost statement **(7 marks)**  
ii) Prepare a profit statement **(7 marks)**
- b) In service costing state FOUR common cost units and their respective services. **(6 marks)**

**\*END\***