



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

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AUGUST - DECEMBER 2018 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

REGULAR PROGRAMME

CAD 082: INTRODUCTION TO COST ACCOUNTING

Date: DECEMBER 2018

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) The following information was extracted from the books of ABC limited
Selling price per unit Sh. 100
Variable cost per unit Sh. 50
Fixed costs Sh. 600,000

Required

- i) Break-even chart (5 marks)
- ii) Contribution/sales graph of profit-volume graph (5 marks)
- iii) Show the margin of safety in these charts if actual level of output is 20,000 units (5 marks)

- b) What are the advantages and disadvantages of standard costing? (10marks)

- c) The material standard for one unit of product Y is 2 tons at SH. 150 per ton. 11,000 tons were used at a cost of Sh. 1,760,000 and 6,000 units were produced. Calculate the material cost variances (5 marks)

- Q2. Define cost and discuss the main elements of cost (5 marks)

- a) What do you mean by classification of costs? Explain various types of cost classification (5 marks)

- b) Write short notes on the following

- i) cost Unit (2 marks)

- ii) cost centre (2 marks)
- iii) profit centre (2 marks)
- iv) cost behavior (2 marks)
- v) prime cost (2 marks)

Q3. a) XYZ Ltd manufactures two types of products for the printing industry. Budgeted sales of the products, known as P and Q for the year 2015 are

Product	quantity	Price (Sh.)
P	3,000	80
Q	7,000	70

Stocks for these products were as follows

Product	quantity	Price (Sh.)
P	2,000	1,500 units
Q	1,800	2,500 units

Required:

Prepare;

- i) Sales budget (5 marks)
- ii) Production budget (5 marks)

b) Describe the difference between financial accounting and cost accounting (5 marks)

c) Describe advantages of marginal costing (5 marks)

Q4. a) In the manufacture of product Z, 3000kg of material at SH. 10 per kg were supplied to process 1. Labor costs amounted to Sh. 5,000 and production overheads of Sh. 4,000 were incurred. The normal loss has been estimated at 10%. The actual production was 2750kgs

Required;

Prepare the process account and calculate the cost per unit (10 marks)

- b) Write short notes on the following
 - i) Abnormal process loss (3 marks)
 - ii) Abnormal gain (3 marks)

c) What is activity based costing and highlight its objectives (4 marks)

END