



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

MAY – JULY 2019 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

SPECIAL / SUPPLEMENTARY EXAMINATION

CAD 082: INTRODUCTORY TO COST ACCOUNTING

Date: JULY 2019

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and any other TWO Questions

Question 1

- 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;

- Sales budget (5 marks)
 - Production budget (5 marks)
- b) Describe the difference between financial accounting and cost accounting (5 marks)
- c) Distinguish between fixed and flexible budgets (5 marks)
- d) What are the advantages and disadvantages of standard costing? (10 marks)

Question 2

- Describe advantages of marginal and absorption costing (5 marks)
- Write short notes on types of functional budget (7 marks)

- c) What are the main functions of a cash budget (8 marks)

Question 3

- a) In the manufacture of product Z, 2000kg of material at SH. 5 per kg were supplied to process 1. Labor costs amounted to Sh. 3,000 and production overheads of Sh. 2,300 were incurred. The normal loss has been estimated at 10%. The actual production was 1750kgs
Required;
Prepare the process account and calculate the cost per unit (10 marks)
- b) Write short notes on the following
- Abnormal process loss (3 marks)
 - Abnormal gain (3 marks)
- c) What is activity based costing and highlight its objectives (4 marks)

Question 4

XYZ Co. limited are manufacturers of soap for sale both in the local and foreign markets. In the year 2017, the following information was provided from their books

Production	25,0000 cartons
Sales	20,000 cartons
Production costs	
Direct materials	2,400,000
Direct labor	600,000
Variable overheads	500,000
Fixed overheads	900,000
Selling and administration	
Sales commission	250,000
General expenses	160,000
Overheads (fixed)	240,000

NB. The company sells each carton at a price of Sh. 500

Required

- Profit and loss account (income statement) on the basis of absorption costing (5 marks)
- Income statement on the basis of marginal costing (5 marks)
- Describe the main functions of a budget (10 marks)
- Describe advantages of marginal and absorption costing (5 marks)

END