



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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**MAIN EXAMINATION**

**JANUARY – APRIL 2019 TRIMESTER**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**REGULAR PROGRAMME**

**CAD 082: INTRODUCTION TO COST ACCOUNTING**

**Date: APRIL 2019**

**Duration: 2 Hours**

**INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions**

Q1. ABC Co. Limited are manufacturers of soap for sale both in the local and foreign markets. In the year 2018, the following information was provided from their books

Production	30,000 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 **(8 marks)**
- Income statement on the basis of marginal costing **(8 marks)**

- c) The minimum number of cartons of soap that must be sold to break-even **(4 marks)**
- d) Prepare a reconciliation statement for the absorption and marginal costing profit **(5 marks)**
- e) Distinguish between cost accounting and financial accounting **(5 marks)**
- Q2. a) Define a budget and highlight the uses of a budget **(5 marks)**
- b) Highlight the similarities and differences between budgetary control and standard costing **(10 marks)**
- c) Write short notes on the following
- i) cost Unit **(1 mark)**
  - ii) cost centre **(1 mark)**
  - iii) profit centre **(1 mark)**
  - iv) cost behavior **(1 mark)**
  - v) prime cost **(1 mark)**
- Q3. a) The following information was extracted from the books of XYZ Co. 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)**
- Q4. a) In the manufacture of product Y, 3000kg of material at SH. 5 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. The loss can be sold at a scrap value of shs 2 per kg.

Required;

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

b) Describe activity based costing and highlight its advantages and disadvantages (10 marks)

**\*END\***