

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF COMMERCE**

 **FINAL EXAM: AUGUST SEMESTER 2017**

**CODE: ACC 314X UNIT: COST ACCOUNTING**

**INSTRUCTIONS: TIME: 2.5 HOURS**

**1 ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

**2. SHOW ALL YOUR WORKINGS**

**Question one**

1. The Blank Manufacturing Company Ltd. Consists of four production departments and two service departments. For the month of September the direct departmental expenses were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Production Departments  | A -Shs.800 | B -Shs.5,600 | C-Shs.800 | D -Shs.400 |
| Service Department- | X -Shs1,800 | Y -Shs2,400 |  |  |

The cost of service departments X and Y are allocated to the other departments on a percentage basis viz:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | A | B | C | D | X | Y |
| X | 30 | 20 | 25 | 15 | - | 10 |
| Y | 20 | 30 | 10 | 25 | 15 | - |

**Required**

Using simultaneous equation, redistribute service departmental costs to production departments

 (15 marks)

b) Briefly explain the following cost estimation methods;

* 1. High-low method (5 marks)
	2. Simple regression method. (5 marks)

**Question two**

1. A Factory issues a job employee A to produce 35 articles; it takes two standard hours to produce each article. Another job is given to employee B to produce 60 articles; it takes one and half standard hours to produce each article. For every hour saved, a bonus is paid at 50% of the base, which is Sh.200 per hour. The factory works a 40-hour week and overtime is paid at a rate of one and a third. At the end of the week, A’s articles and B’s clock cards show 49 and 46 hours respectively and the work is complete. However, three of A’s articles and three B’s articles failed to pass inspection. This was due to defective material and in view of this all the articles produced were paid for, although as scrap they have no saleable value.

**Required**

For both A and B:

1. Calculate the bonus due (5 marks)
2. Calculate the total gross wages due (5 marks)
3. Wages cost per unit of articles passing inspection (5 marks)
4. A business firm which is engaged in manufacturing should adequately control materials used in the production process from the point of procurement up to the point the materials are issued to production.

 **Required:**

 Clearly explain how a business firm would reasonably achieve this objective

(10 marks)

**Question three**

Majengo Builders has been engaged to construct a building to serve as the head office for Ushirika Co-operative Society. Construction work commenced on 1 June 2016 and the following information was extracted from Majengo Builders accounting records on 30 November 2016.

|  |  |
| --- | --- |
|  | Shs |
| Control price | 1,500,000 |
| Payment for direct wages | 240,000 |
| Accrued wages, 30 November | 10,000 |
| Materials issued | 275,000 |
| Materials returned to store | 2,500 |
| Plant and equipment at cost on 1 June | 150,000 |
| Installation costs | 125,000 |
| Payment for direct expenses | 75,000 |
| Direct expenses accrued, 30 November | 5,000 |
| Value of plant and equipment 30 November | 100,000 |
| Materials on site, 30 November | 27,500 |
| Value of work not yet certified | 800,000 |
| Cost of work not yet certified | 50,000 |
| Cash received from Ushirika Co-operative Society | 750,000 |

**Required**

1. Prepare the Contract Account for the building for the six months to 30 November 2016 as it would appear in the records of Majengo Builders. ( 12 marks)
2. Determine the amount to be shown as work-in-progress in the records of Majengo Builders at 30 November 2016. ( 5 marks)

b) Compare and contrast Cost Accounting and financial Accounting (8 marks)

**Question four**

a)Company TX made the following purchases in the month of January 2017.

Date of purchase Units purchased Price/unit

1st January 500 100

2nd January 600 200

3rd January 800 400

Units used on 4th January are 900.

**Required:**

Determine the cost of units used and the value of the closing stocks using FIFO and Weighted average cost. (15 marks)

b) Define the following terms

1. Cost Accounting
2. Financial Accounting
3. Management accounting ( 5 marks)

c) Briefly describe the purpose of Cost Accounting. (5 marks)