KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2014/2015

DIGITAL SCHOOL OF VIRTUAL AND OPEN LEARNING

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

BAC 202: COST ACCOUNTING 1

DATE: TUESDAY, 28TH APRIL 2015 **TIME: 2.00 P.M. – 4.00 P.M.**

INSTRUCTIONS:

Answer Question ONE and TWO and any other TWO questions

1. Assemble the following terms under SYSTEMS, METHODS and TECHNIQUES. Batch Costing, Uniform Costing, Process Costing, Standard Costing, Estimated Costing, Job Costing, Composite Costing, Marginal Costing, Operating Costing, Total Costing, Actual Costing, Contract Costing, Joint product and By-product Costing, Service Costing. (10 marks)

2. A company has three production departments and two service departments. The overhead analysis sheet provides the following totals of the overheads analyzed to production and service departments.

		$
Production Department	A	48,000
	B	42,000
	C	30,000
Service Departments	1	14,040
	2	18,000
		152,040

The expenses of the service departments are apportioned as follows:

	PRODUCTION DEPARTMENTS			SERVICE DEPARTMENTS	
	A	B	C	1	2
SERVICE DEPARTMENT 1	20%	40%	30%	-	10%
SERVICE DEPARTMENT 2	40%	20%	20%	20%	-

Required:

Reallocate the overheads from service department to other departments using

1. Direct Method (2 marks)
2. Repeated Distribution Method (8 marks)
3. Simultaneous Equation Method (10 marks)

3. A manufacturing company produces a single product. During the year ended December 2013, the company had a closing inventory of 2000 units. During the year ended 31 December 2014, 9,000 units were produced and the costs of manufacturing were:

Direct Materials $70 per unit

Direct Labour $25 per unit

Variable Manufacturing Overheads $5 per unit

Variable Selling Overheads $16 per unit

Fixed Manufacturing Overheads $261,000

Fixed Selling and Administrative Overheads $280,000

10,000 units were sold at $210 each.

Required:

Prepare an operating statement using both marginal and absorption costing techniques.

(20 marks)

4. The purchase and issue of Materials by a Manufacturer for the month of March 2015.

March 1	Received	3000 units @ sh.200 each
4	Received	2000 units @ sh.210 each
9	Issued	1600 units
15	Issued	2800 units

21	Received	3200 units @ sh. 220 each
25	Issued	2000 units
29	Issued	1600 units

An order for 4000 units at Sh.230 has been placed for delivery on April, 1. There was no opening inventory of the raw materials. You are required to prepare the stores ledger accounts when issues are priced, respectively assuming a perpetual inventory framework using the following cost flow assumptions.

1. First – In – First – Out (FIFO) (6 marks)
2. Last – in – First – Out (FIFO) (6 marks)
3. Weighted Average (8 marks)

5.a) Describe the following individual bonus schemes

i) Halsey Scheme (2 marks)

ii) Halsey – Weir Scheme (2 marks)

iii) Rowan Scheme (2 marks)

Required:

The labour cost per unit of good production under Halsey Scheme, Halsey weir Scheme and Rowan Scheme. (10 marks)

a) Nairobi Class Works Limited has established that over the past five years that some data has shown the following pattern.

Sales		7,200,000
Direct materials	4,000,000	
Direct labour	2,400,000	
Production overhead	640,000	
Gross profit	160,000	7,200,000

It is agreed that a group bonus is to be shared out in the basis of 10% under the Rucker Plan or Scanlon Plan if the ratio of direct labour to the relevant denominator is reduced. In the current year the following data is provided:

Sales		11,680,000
Direct Materials	8,000,000	
Direct labour	2,720,000	
Production overhead	720,000	
Gross profit	240,000	11,680,000

Required

Calculate the amount of group bonus under the Rucker Plan and under the Scanlon Plan.

(14 marks)