



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY – APRIL 2019 SEMESTER

CERTIFICATE IN ACCOUNTING

COURSE CODE: CIAC 001

COURSE TITLE: FUNDAMENTALS OF COST ACCOUNTING

DATE: 11 APRIL 2019

TIME: 8.00 AM – 10.00 AM

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: *All exam rooms are under CCTV surveillance during the examination period.*

SECTION A: COMPULSORY

Question One

- a) Costs are ascertained in terms of specific jobs or orders which are not comparable with each other. Identify five methods used in job costing. **[10 marks]**
- b) Describe the relationship between the nature of the Business Enterprise and Cost Accounting. **[10 marks]**
- c) The management of Fatima limited wishes to apply the economic order quantity in their operations but its not clear to them of the assumptions behind the EOQ. Explain to them at least five the assumptions of EOQ **[10 marks]**
- d) Explain the following terms as used in cost accounting
- i) Re-order level **[2 marks]**
 - ii) Maximum stock level **[2 marks]**
 - iii) Lead time **[3 marks]**
 - iv) Holding cost **[3 marks]**

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

- a) Businesses apply cost accounting in their operations. Describe five of the main objectives of cost accounting. **[10 marks]**
- b) Cost accounting has been developed due to limitations of financial accounting. Outline five of the limitations found in financial accounting. **[10 marks]**

Question Three

- a) The following information was extracted from the stores ledger of Kamwaki LTD .
- July 1 received 1000 units @ shs 25 each
 - July 3 issued 800 units
 - July 6 received 700 units @ shs 24 each
 - July 12 issued 600 units
 - July 14 received 300 units @ shs 26 each
 - July 15 received 450 units @ shs 30 each
 - July 20 issued 650 units

Required

- i) Prepare stores ledger card using FIFO and show the value of closing stock on 31st July 2016 [6 marks]
- ii) Prepare stores ledger card using LIFO and show the value of closing stock on 31st July 2016 [6 marks]
- b) Explain the advantages of the centralised system of stores maintenance [8 marks]

Question Four

Using graphical illustrations where applicable, explain the following classification of costs

- a) Classification according to behaviour [8 marks]
- b) Classification according to function [5 marks]
- c) Classification according to controllability [3 marks]
- d) Classification according to traceability [4 marks]

Question Five

- a) Describe any four methods of cost estimation. [8 marks]
- b) Calculate the Prime Cost, Work Cost, Cost of production, total Cost and profit from the following:-
Direct Materials Sh. 8500; Direct Labour Sh. 1700; Factory Expenses Sh. 500;
Administration Expenses Sh. 800; Selling Expenses Sh. 450 and Sales Sh.23,000. [10 marks]
- c) Differentiate between cost accounting and Management accounting [2 marks]