



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY - APRIL 2021 SEMESTER

DIPLOMA IN ACCOUNTING

COURSE CODE: DBAC 013

COURSE TITLE: COST ACCOUNTING

DATE: 12 MAY 2021

TIME: 3:00 PM – 6:00 PM

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) Describe the following functional activities as included in the scope of cost accounting
- a. Cost book keeping [4 Marks]
 - b. Cost system [2 Marks]
 - c. Cost ascertainment [2 Marks]
 - d. Cost analysis [2 Marks]
- b) Explain four objectives of cost accounting [10 Marks]
- c) In columnar form, list and explain the differences between financial accounting and cost accounting [20 Marks]

SECTION B: ANSWER ANY THREE QUESTIONS

QUESTION TWO

Deco the Proprietor has provided the following information which relates to a product of his enterprises for the month of March 2021

Raw materials	Kshs	50,000
Direct labour	“	22,000
Machine hours worked	“	1,800
Machine hour rate	“	10

Administrative overheads are 20% of works costs

Selling overheads are Kshs 1/= per unit sold

Units produced were 26,000

Units sold were 25,000

Unit selling price is Kshs 8/=

Required:

- a) Draft a cost statement and determine the cost per unit [10 Marks]
- b) Determine per unit profit and total profit for the period [10 Marks]

QUESTION THREE

You have been provided with the following information regarding item X

Normal consumption	300 units per day
Maximum consumption	420 units per day
Minimum consumption	240 units per day
Re-order period	10-15 days
Re-order quantity	3,600 units

Normal re-order period 12 days

Required:

- a) Re-order level [10 Marks]
- b) Minimum stock level [5 Marks]
- c) Maximum stock level [5 Marks]

QUESTION FOUR

The following information was extracted from the book of Kindlab manufacturers limited for the year ended 31st December 2020

Output was 100,000 units

Production costs

Direct materials cost	2 million
Direct labour cost	5 million
Variable overheads	2 million
Fixed overheads	4 million
Units sold	90,000

NB: assume closing stock at end of the previous period was Nil

Required:

Cost per unit and an income statement under marginal and absorption costing basis

[12 Marks]

Prepare a reconciliation statement for the difference, if any, from the profits computed under the two costing methods in (i) above

[8 Marks]

QUESTION FIVE

- a) Discuss in details five key objectives of a Budget [10 Marks]
- b) Define the following terms
 - a. Standard costing and [5 Marks]
 - b. Variance analysis [5 Marks]