



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS SEPTEMBER – DECEMBER 2021 SEMESTER

CERTIFICATE IN ACCOUNTING

COURSE CODE: CIAC 003

COURSE TITLE: FUNDAMENTALS OF COST ACCOUNTING.

DATE:

TIME:

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) Define cost accounting and outline its importance to an organization **(10marks)**
- b) Define the following terms:
- i. Cost (2marks)
 - ii. Cost center (2marks)
 - iii. Profit center (2marks)
 - iv. Marginal cost (2marks)
 - v. Break even point (2marks)
- c) Identify and give examples of each of the three basic cost elements involved in the manufacture of a product **(6marks)**
- d) The following data relate to the production information of Kazi Nzuri production facility:

Opening raw materials	90,000
Purchases of raw material	1,340,000
Carriage inwards	50,000
Returns of raw materials	30,000
Direct wages	560,000
Factory rent	120,000
Power	96,000
Depreciation of plant	70,000
Supervisors salaries	110,000
Office salaries	140,000
Office expenses	24,000
Depreciation office equipment	10,000
Salesman's salaries	136,000
Delivery van expenses	44,000
Advertisement expenses	130,000
Depreciation of delivery van	38,000

Required:

a. Prepare a cost statement

b. Compute the cost of production

[14 marks]

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

- a) Giving examples highlight the elements of product cost **(10marks)**
- b) The following information was provided by the supervisor of Makau traders for the first week of January 2021.

	Employee		
	Peter	John	Joyce
Time allowed per unit(minutes)	20	15	10
Units produced	183	180	252
Time taken (hours)	46	43	40

Additional information;

- A normal week is 40 hours
- The basic wage rate is ksh 300 per hour
- Bonus paid at 50% of time saved at a basic rate
- Overtime is paid at 5/3 of the basic wage rate.

For each employee; determine;

- Basic wage **(2marks)**
- Bonus pay **(2marks)**
- Overtime pay **(2marks)**
- Gross pay **(2marks)**
- Wages cost per unit **(2marks)**

Question three

- a) Classify the following as either fixed or variable costs
- i. Depreciation on a straight line basis (2marks)
 - ii. Wages paid to casual workers – on piece rate basis (2marks)
 - iii. Salary paid to stores manager (2marks)
- b) List four examples of variable costs in an organization (10marks)
- c) Define cost accounting and differentiate it from financial accounting (4marks)

Question Four

- d) The total output for Maina for one week was 960 units. He was allowed 16 minutes per unit. He completed these units in 208 hours. His wage rate per hour is Ksh 36. Calculate Maina's total wage according to:
- a) Halsey scheme (3marks)
 - b) Rowan scheme (4marks)
 - c) Halsey scheme (3marks)
- e) Describe the following types of costs :
- i. Sunk costs (2marks)
 - ii. Opportunity cost (2marks)
 - iii. Marginal cost (2marks)
 - iv. Historical costs (2marks)
 - v. Variable costs (2marks)

Question five

- a) Define process costing and explain the main elements of process costing. (6marks)
- b) Manufacture of product Ghee goes through three distinct processes, that is, 1-3. After process 3, the completed is passed to finished goods stock. The following information was provided by the cost accountant in respect of product Ghee for the month of July 2020. 6,000 units of raw material at Ksh 50 were passed to process 1 and the costs incurred are as shown below

Element of cost	Process 1	Process 2	Process 3	Total
	Ksh	Ksh	ksh	ksh
Direct material	10,000	24,000	36,000	70,000
Direct labour	60,000	40,000	20,000	120,000
Direct expenses	5,600	10,400	4,000	20,000
Production overheads -	-	-	-	180,000

Production overheads are absorbed by each process at 150% direct labour costs.

REQUIRED:

Prepare the process accounts (14marks)