PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE:

COURSE TITLE: COST ACCOUNTING - DIPLOMA

ROYSAMBU CAMPUS - DAY

EXAM DATE: THURSDAY

TIME: 2.00PM – 5.00PM

INSTRUCTIONS

- This examination script consists of **six (6)** questions.
- Answer question ONE and ANY other three Questions.
- Show all your workings
- Read all questions carefully before attempting.

Write your **student number** on the answer booklet provided.

QUESTION ONE

Distinguish between the following terms:

a) A cost driver and a cost centre (2marks)

b) Unit variable cost and unit fixed cost (2marks)

c) Abnormal process loss and abnormal process gain (2marks)

d) A break-even point and a margin of safety (2marks)

e) Traditional absorption costing system and Activity Based costing system (2marks)

QUESTION TWO

a) Using two relevant examples, explain the term semi-variable cost (4marks)

b) Describe any three ways in which marginal costing and absorption costing differ. (6marks)

QUESTION THREE

XYZ Co. manufactures several products, among them product A. The selling price of product A is Sh 50. The unit variable cost is 40% of the selling price. Fixed cost for the period is sh5,000

Determine:

a) The unit contribution (2marks)

b) The break - even point of the factory in units and in shillings (4 Marks)

c) The sales volume if the target profit is sh10,000 (4marks)

QUESTION FOUR

TENGA & co. manufactures product X which involves machine set-up and inspection. During the Month of July 2020, the company produced several products which absorbed the overheads as follows:

	Ksh
Cost of machine set-up	100,000
Cost of inspection	152,000

The company uses direct labour hours to allocate its overhead to products. During the period, there 10,000 labour hours were utilized. Product X utilized 5 direct labour hours per unit (Ksh20 per hour):

Required:

a) Allocate the overheads to product X using the traditional absorption costing system (7marks)
b) Draw a cost statement for product X to show its total unit cost (3marks)

QUESTION FIVE

Using relevant examples, describe any two characteristics of the following methods of product costing:

a) Job order costing (3marks)
b) Batch order costing (3marks)
c) Process costing (4marks)

QUESTION SIX

a) Explain two ways in which break - even analysis can be applied in a learning institution (4marks)
b) Using relevant examples, describe three ways in which cost accounting and financial accounting differ (6marks)