PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE

DIPLOMA IN SUPPLIES MANAGEMENT

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: DSM105

COURSE TITLE: COST ACCOUNTING

EXAM DATE: TUESDAY 6th DECEMBER 2016

TIME: 5.30PM-8.30PM

INSTRUCTIONS

- Read all questions carefully before attempting.
- Question one is compulsory
- Answer 5 questions
- Write your **student number** on the answer booklet provided.

QUESTION ONE

(a) Define the meaning of the following cost terms;

(i) Cost object (2 marks)

(ii) Cost accounting (2 marks)

(iii) Prime cost (2 marks)

(iv) Budgeting (2 marks)

(v) Process costing (2 marks)

(b) (i) Distinguish between "financial accounting" and "cost accounting". (6 marks)

(ii) Define job costing as used in cost accounting. (2 marks)

(iii) Explain standard costing as used in cost accounting. (2 marks)

(iv) Describe marginal costing as used in cost accounting. (2 marks)

(c) Discuss and provide an example for the following

(i) Direct labour (2 marks)

(ii) Indirect labour (2 marks)

(iii) Direct materials (2 marks)

(iv) Indirect materials (2 marks)

(d) (i) With an example for each, explain the cost classifications "fixed costs" and "variable costs". (4 marks)

(ii) With an example for each, differentiate between "Relevant" and "Irrelevant" costs (4 marks)

(e) Give two other names for "factory indirect costs". (2 marks)

QUESTION TWO

Clearly explain each of the elements of the decision-making, planning and control process. (15 marks)

QUESTION THREE

(a) (i) With an example for each, distinguish between "product costs" and "period costs". (4 marks)

(ii) Using relevant examples differentiate between "product costs" and "period costs" (4 marks)

(b) The following data relate to two output levels of a department:

Machine hours	17,000	18,500
Overheads	Ksh. 246,500	Ksh. 251,750

The variable overhead rate per hour is Ksh 3.50.

<u>Required:</u>

Calculate the amount of fixed overheads. (7 marks)

QUESTION FOUR

(a) Describe the materials recording procedure. (9 marks)

(b) Explain the following terms as used in cost accounting;

(i) First in, first out (FIFO) (2 marks)

(ii) Last in, first out (LIFO) and (2 marks)

(iii) Average cost (2 marks)

QUESTION FIVE

A machine operator is paid Ksh. 10.20 per hour and has a normal working week of 35 hours. Overtime is paid at the basic rate plus 50 per cent. If in week 7, the machine operator worked 42 hours;

(a) Calculate the overtime premium paid to the operator. (6 marks)

(b) Calculate the total wages paid to the operator for week 7. (6 marks)

(c) Classify the wages cost paid to the operator in week 7 (3 marks)

QUESTION SIX

An organization's stock records show the following transactions for a specific item during last month:

Date	Receipts units	Issues units
4th		50
13th	200	
20th		50
25th	150	
27th		50

The stock at the beginning of last month consisted of 100 units valued at Ksh. 6700. The receipts last month cost Ksh. 62 per unit.

Required:

(a) Calculate the value of closing stock last month;

(i) Using First in, first out method and (6 marks)

(ii) Using Last in, first out method. (5 marks)

(b) Calculate the value of issues last month ;

(i) Using FIFO method. (2 marks)

(ii) Using LIFO method. 1

(iii) (2 marks)