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Candidate's Signature _____

Date _____

COST ACCOUNTING
November 2013
Time: 3 hours

THE KENYA NATIONAL EXAMINATIONS COUNCIL

**DIPLOMA IN SUPPLY CHAIN MANAGEMENT
DIPLOMA IN BUSINESS MANAGEMENT
DIPLOMA IN PROJECT MANAGEMENT**

COST ACCOUNTING

3 hours

INSTRUCTIONS TO CANDIDATES

Write your name and index number in the spaces provided at the top of this page.

Write the date of examination and sign in the spaces provided above.

This paper consists of SEVEN questions.

Answer any FIVE questions in the spaces provided in this question paper.

All questions carry equal marks.

Do NOT remove any pages from this booklet.

Candidates should answer the questions in English.

For Examiner's Use Only

Question	1	2	3	4	5	6	7	TOTAL SCORE
Candidate's Score								

This paper consists of 22 printed pages.

Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.

3. (a) The following information relates to a factory which has four departments; A, B, C and D.

(i) Overhead incurred in June 2012:

	Kshs
Insurance to plant	75,000
Depreciation of plant	60,000
Lighting and heating	30,000
Supervision	90,000
Maintenance to buildings	45,000

(ii) Information in respect of four departments are as follows:

	A	B	C	D
Area occupied (m ²)	2250	1800	1200	750
Number of employees	35	25	25	15
Value of plant (Kshs)	750,000	450,000	300,000	300,000

Prepare an overhead analysis sheet showing the total overheads in each department.

(12 marks)

(b) Explain each of the following terms as used in process costing:

(i) Abnormal process loss;

(ii) Scrap;

(iii) Waste;

(iv) Normal process loss.

(8 marks)

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4. (a) Kali Ltd has provided the following information relating to the contract for the year ended 31 December 2012 which commenced on January 2012.

	Kshs
Material issued to the site	1200,000
Materials purchased locally	235,500
Plant purchased and installed	732,000
Direct wages	89,700
Materials returned to store	12,750
Value of work certified	2250,000
Cost of work not certified	57,000
Materials on site December 31 2012	79,950
Value of plant on December 31 2012	622,500

- The company was paid Ksh. 1,260,000 during the year.

Prepare the contract account for the year ended 31 December 2012. (12 marks)

- (b) A lorry carried 10 tonnes of sand per a trip and delivered as follows:

3 tonnes after 20 km, 2 tonnes after a further 10 km and the remaining 5 tonnes after further 30 km. On return the lorry was empty. The following cost with respect of the trip is provided:

	Kshs.
Fuel and lubricants	600
Wages: - Driver	225
- Conductor	120
- Other costs	480

Calculate:

- (i) cost per tonne-kilometre;
(ii) cost per kilometre. (8 marks)

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6. (a) ABC Ltd, manufactures office furniture to customer's specifications. Because of the specialised nature of the manufacturing process, each job is treated separately for costing purposes. There are two stages in the manufacture of each item namely: Assembly and finishing. In the assembly department, overheads are absorbed on the basis of labour hours in the department. In the finishing department, overheads are applied on the basis of prime cost incurred in the department.

The selling price of the item is then determined by applying a 50% profit mark up.

The following is the budget for the next financial year:

	Assembly	Finishing
Materials	Ksh.1400,000	Ksh. 1350,000
Overheads	Ksh.495,000	Ksh.815,000
Labour cost	Ksh.200,000	Ksh.160,000
Labour hours	30,000	15,000

Job No.127 K will be undertaken in the next financial year with the following details:

	Assembly	Finishing
Materials	Ksh.50,000	Ksh. 35,000
Labour cost	Ksh.27,000	Ksh.16,000
Labour hours	1200	400

Prepare the cost statement for the job and determine the selling price. (12 marks)

- (b) Mwambu Enterprises, a wholesale business, started operations this month. To ensure that they do everything in the right manner, they have concerns about valuation of the inventories. They are aware that the values of closing inventory determine the reported profit for the period. Two approaches of valuation are proposed.

- (1) Continuous stock taking;
 - (2) End-of-year stock taking.
- (i) Prepare an analysis of the benefits of each approach.
 - (ii) Advise the management of the firm on the better approach given the nature of their business. (8 marks)

7. (a) Instant Ltd produces a mosquito killer known as 'Instant' in two successive processes. Process 1's output is process 2's input. The following data relates to the month of March 2013.

	Process		Total
	1	2	
	Ksh.	Ksh.	Ksh.
Material Introduced (60,000 kg)	150,000	-	150,000
Material added	-	160,000	160,000
Labour	22,000	16,800	38,800
Production overheads			81,600

Production overheads are apportioned to processes on direct labour cost basis. The normal output of process 1 is 80% of input and process 2 is 90% of input. Scrap from process 1 is retailed at Ksh.2 per kilogram.

March 2013 output was as follows:

Process 1	46000 kg
Process 2	42800 kg

There was no opening or closing inventory or work in progress for the month. All waste has been sold.

Prepare

- (i) Process 1 Account;
(ii) process 2 Account.

(12 marks)

- (b) Batch No.X47 in the production process incurred the following costs:

Labour costs

Department: - A	600 labour hours @Ksh.35
- B	760 labour hours @30

Factory overheads absorbed on labour hours

Department: - A	Rate per hour	Ksh.80
- B	Rate per hour	Ksh.50

Direct material costs Ksh.32,800

The firm marks up its cost at 40%. Administrative overheads are absorbed at 10% of production cost.

Production for Batch NoX47 was 1,000 units.

Calculate the:

- (i) selling price per unit produced and sold;
(ii) total amount of administrative overheads recovered by Batch NO.X47.

(8 marks)

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