Name		Index No	
2903/206	Candidate's Signature		
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2922/206		Date	

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

November 2013 Time: 3 hours

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								BOOKE
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.

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1. Explain five purposes of cost accounting. (a)

(10 marks)

XYZ has produced the following information for the year ended 31 December 2012: (b)

Opening Inventory:	Kshs
- Raw materials	35,000
- Finished products	25,000
Closing Inventory:	
- Raw materials	28,000
- Finished products	45,000
Salaries:	
- Office and administration	110,000
- Sales department	340,000
Purchase of raw materials	420,000
Carriage inwards	5,000
Carriage outwards	8,000
Direct wages	140,000
Sales	1,360,000
Factory overheads:	
- Power and lighting	5,000
- Depreciation of plant	3,000
Office and administration	2,000

Prepare a cost statement showing:

- Cost of raw material used; (i)
- (ii) Cost of goods manufactured.;
- (iii)
- Cost of goods sold; Profit or loss made during the year. (iv)

(10 marks)

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2. (a)	I he following information was extracted from the stores ledger of Okero and company
	Limited for the month of January 2013. The firm uses Last In First Out (LIFO) method
	of pricing material issues. Receipts:
	January 1 200 units@ Ksh.25 each January 6 400 units @ Ksh.24 each
	January 14 600 units @ Ksh.26 each
	January 18 900 units @Ksh.30 each
	Jan San San San San San San San San San S
	Issues:
	January 3 1600 units
	January 12 1200 units
	January 22 1300 units
	Prepare a stores ledger account for the month of January 2013. (12 marks)
(b)	Explain four advantages of time rate method of remunerating employees. (8 marks)
	Explain four advantages of time rate method of remunerating employees. (8 marks)
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3.	(a)	The fand D	ollowing information relates to	o a factory	which has	four depart	ments; A	, B, C
		(i)	Overhead incurred in June 2	2012: •				
			Insurance to plant Depreciation of plant Lighting and heating Supervision Maintenance to buildings			Kshs 75,000 60,000 30,000 90,000 45,000		•
		(ii)	Information in respect of for	ur departme	ents are as	follows:		
			Area occupied (m²) Number of employees Value of plant (Kshs)	A 2250 35 750,000	B 1800 25 450,000	C 1200 25 300,000	D 750 15 300,000	
		Prepa	re an overhead analysis sheet	showing the	e total ove	rheads in ea		
	(b)	Expla	in each of the following terms	s as used in	process co	sting:		(12 marks)
		(i) (ii) (iii) (iv)	Abnormal process loss; Scrap; Waste; 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 12	000,000
Materials purchased locally 2	35,500
Plant purchased and installed 7	32,000
Direct wages	89,700
Materials returned to store	12,750
Value of work certified 22:	50,000
Cost of work not certified	57,000
	79,950
¥7-1 C 1	22,500

• 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	4 Max	480

Calculate:

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

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									(8 ma	irks)
(b)	Expla	ain four diffe	rences bet	ween Fina	ncial Acco	ounting a	nd Cost	Accour		
	(ii)	Advise Ou	ma on the	scheme to	choose gi	ven a cha	ince.		(12 ma	ırks)
-						-				
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	(i)	Compute e	arnings du	ie to him u	nder:					
				of paymer	it per hour	is Ksh.1	00. Ou	ma tool	80 hours t	.0
		allow comp (i) (ii) (b) Expla	allowed is 98 hour complete the job. (i) Compute e	allowed is 98 hours, the rate complete the job. (i) Compute earnings du	allowed is 98 hours, the rate of paymer complete the job. (i) Compute earnings due to him u • Halsey • Rowan (ii) Advise Ouma on the scheme to (b) Explain four differences between Final	allowed is 98 hours, the rate of payment per hour complete the job. (i) Compute earnings due to him under: • Halsey • Rowan (ii) Advise Ouma on the scheme to choose gi (b) Explain four differences between Financial Acco	allowed is 98 hours, the rate of payment per hour is Ksh.1 complete the job. (i) Compute earnings due to him under: • Halsey • Rowan (ii) Advise Ouma on the scheme to choose given a charter of the complete of the comple	allowed is 98 hours, the rate of payment per hour is Ksh.100. Ou complete the job. (i) Compute earnings due to him under: • Halsey • Rowan (ii) Advise Ouma on the scheme to choose given a chance. (b) Explain four differences between Financial Accounting and Cost	allowed is 98 hours, the rate of payment per hour is Ksh.100. Ourna tool complete the job. (i) Compute earnings due to him under:	allowed is 98 hours, the rate of payment per hour is Ksh.100. Ouma took 80 hours to complete the job. (i) Compute earnings due to him under: • Halsey • Rowan (ii) Advise Ouma on the scheme to choose given a chance. (12 material) (b) Explain four differences between Financial Accounting and Cost Accounting. (8 material)

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)

2903/206 2906/206 2922/206 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.

	Proc	Total	
	1	2	
	Ksh.	Ksh.	Ksh.
Material Introduced			
(60,000 kg)	150,000		150,000
Material added	<u>-</u>	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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