



Riara School of Business
Nurturing business innovators

SEPTEMBER-DECEMBER TRIMESTER, 2019
DAY PROGRAMME
EXAMINATION FOR DIPLOMA IN BUSINESS ADMINISTRATION PROCUREMENT AND
SUPPLY CHAIN MANAGEMENT
RBM 014: COST ACCOUNTING

DATE: 19TH DECEMBER, 2019

TIME: 2 HOURS

GENERAL INSTRUCTIONS:

Students are **NOT** permitted to write on the examination paper during reading time.
This is a closed book examination. Text books/reference books/notes are not permitted.

SPECIAL INSTRUCTIONS:

1. Write your **ADMISSION NUMBER** clearly on the cover of the answer booklet(s).
2. Answer Question **ONE** and **ANY OTHER TWO** questions.
3. Questions in all sections should be answered in answer booklet(s).
4. Marks allocated to each question are shown at the end of the question.
5. **PLEASE** start the answer to **EACH** question on a **NEW PAGE**.
6. Indicate the number of the questions answered on the cover of the answer booklet(s) in the order you answered them.
7. Write your answers in paragraph form unless stated otherwise.
8. Keep your phone(s) **SWITCHED OFF** at the front of the examination room.
9. Keep **ALL** bags and caps at the front of the examination room and do not refer to any unauthorized material before or during the course of the examination.
10. You are only allowed to leave the examination room **30 minutes** to the end of the Examination.

QUESTION ONE (COMPULSORY (30 MARKS))

(a) Highlight **three** differences between financial accounting and cost accounting **(6 Marks)**

(b) With examples differentiate between the following terms

- (i) Maximum stock level **(2 Marks)**
- (ii) Minimum stock level **(2 Marks)**
- (iii) Re-order level **(2 Marks)**

(c) Outline **four** advantages of preparing a budget **(4 Marks)**

(d) Highlight **four** disadvantages of a centralized store **(4 Marks)**

(e) The following information is obtained from accounts of Tigoni Manufacturers Limited for the year ended 31 December 2018 in respect of their product Z:

Kshs.

Direct materials	110,000
Direct wages	90,000
Direct expenses	45,000
Indirect factory costs	65,000
Administration costs	40,000
Distribution costs	40,000
Selling expenses	35,000

The following additional information is provided:

- (i) During the year ending 31 December 2018 prime cost will rise by 15%
- (ii) Indirect factory costs will rise by 10%
- (iii) Administration costs, distribution costs and selling expenses will each rise by 5%
- (iv) The company expects to make 20% profit on selling price of product Z

Required:

- (a) Prime cost
- (b) Overheads
- (c) Total cost of product Z
- (d) Selling price of product Z

(10 Marks)

QUESTION TWO

- (a) Explain **two** methods of valuing material issues (4 Marks)
- (b) Differentiate between Job costing and Process costing (4 Marks)
- (c) The following information was extracted from the stores ledger of ABC limited

Receipts:

- 1st July 1,000 units @ 25 each
- 6th July 700 units @ 24 each
- 14th July 300 units @ 26 each
- 15th July 450 units @ 30 each

Issues:

- 3rd July 800 units
- 12th July 600 units
- 20th July 650 units

Required: Using weighted average cost method, compute the closing inventory on the 31st July 2019

(8 Marks)

QUESTION THREE

- (a) With examples, explain the following terms:
 - (i) Fixed and variable cost (4 Marks).
 - (ii) Manufacturing cost and non-manufacturing cost (4 Marks).
- (b) Highlight **three** elements of cost (3 Marks).
- (c) Outline the procedure that an organization should follow in purchasing materials and issue of material (9 Marks).

QUESTION FOUR

- (a) The following information is available from a manufacturing company

	Shs.
Total overheads	600,000.00

Total direct wages	480,000.00
Total direct material cost	500,000.00
Direct labour hours	75,000.00
Direct machine hours	50,000.00
Units of output	750,000.00

Required: Calculate **six** overhead absorptions rates

(6 Marks).

(b) State **four** factors that affect the inventory levels in a manufacturing company

(4 Marks).

(c) Differentiate between the following terms as used in labour costing;

- (i) Time rate method
- (ii) Piece rate with guaranteed time rate method
- (iii) Piece rate method

(6 Marks).

(d) Outline **four** characteristics of job costing

(4 Marks).