

1. (a) Explain **four** uses of cost accounting information in an organization. (8 marks)
- (b) The following information relates to Jaza Manufacturers for the year ended 31 December 2013.

	Ksh
Raw materials	2,000,000
Salary to Production Assistant	150,000
Direct labour	1,500,000
Factory electricity	600,000
Factory rent	500,000
Depreciation of plant	650,000
Administration overheads	870,000
Selling and distribution overheads	690,000
Sales	8,000,000

Prepare a cost statement.

(12 marks)

2. (a) Explain each of the following terms as used in cost accounting:

- (i) sunk cost;
- (ii) period cost;
- (iii) product cost;
- (iv) controllable cost.

(8 marks)

(b) Mafundi Contractors Ltd is engaged in the construction of a library complex in a college. The following information is available for the year ended 31 December 2013:

	Ksh
Contract price	7,000,000
Materials issued from the store	550,000
Direct labour	480,000
Accrued wages on 31 December, 2013	120,000
Plant installed at cost	5,000,000
Direct expenses	850,000
Materials returned to store	80,000
Materials at site - 31 December 2013	70,000
Value of plant - 31 December 2013	3,500,000
Work certified	4,500,000
Work not certified	2,300,000
Cash received	3,600,000
Accrued direct expenses - 31 December 2013	150,000

(i) Prepare:

- (I) A contract account;
- (II) A contractee account.

(ii) Calculate the work-in-progress.

(12 marks)

3. (a) The following are materials purchased and issued by Nyati Enterprises for the month of April, 2014:

April 1 Purchased 800 units at Ksh 18 each
 15 Issued 600 units
 20 Purchased 750 units at Ksh. 21 each
 24 Purchased 400 units at Ksh 22 each
 26 Issued 900 units
 28 Purchased 500 units at Ksh 24 each
 30 Issued 600 units

Prepare a stores ledger account using Last In First Out (LIFO) method. (8 marks)

- (b) Upepo Enterprises has three production departments; A, B and C; and two service departments D and E. The following are the overheads of each of the departments:

Production Departments			Service Departments	
A	B	C	D	E
Ksh 75,000	Ksh 60,000	Ksh 40,000	Ksh 30,000	Ksh 36,800

Overheads of the service departments D and E are apportioned to the department as follows:

	A	B	C	D	E
D	60%	20%	10%	–	10%
E	45%	30%	20%	5%	–

- (i) Determine the total overheads for each service department using simultaneous equation method;
 (ii) re-apportion the service departments' overheads to production.

(12 marks)

4. (a) Soila Enterprises has employed three workers. The firm remunerates its employees under the Rowan Scheme. The following information relates to the employees for the month of June, 2014.

	Otieno	Kamau	Juma
Time allowed per unit (hrs)	1	$1\frac{1}{2}$	$1\frac{1}{3}$
Units produced	400	500	450
Time Taken (hrs)	360	690	550

The basic hourly rate of pay is Ksh 200.

Calculate the gross earnings for each worker for June 2014.

(9 marks)

- (b) Bodax Ltd manufactures product XP which passes through two processes to completion.

The following information is provided:

	Process 1	Process 2
	Ksh	Ksh
Basic materials (1000 kg)	180,000	–
Additional materials	64,000	80,000
Direct labour	80,000	70,000
Direct expenses	34,000	26,190

Additional information:

- Production overheads are absorbed at 75% of direct labour cost;

- Actual production

Process 1 900 kg

Process 2 870 kg

- Normal loss (percentage of input)

Process 1 8%

Process 2 5%

- The scrap value for losses in process 1 is Ksh 50 per kg and Ksh 60 per kg in process 2.

Prepare:

- (i) Process 1 account;
- (ii) Process 2 account;
- (iii) Abnormal loss account;
- (iv) Abnormal gain account.

(11 marks)

5. (a) Shozi Ltd manufactures its products in batches. The following information relates to Batch No. B17 of 1,000 units:

Direct Materials 12,000 kg at Ksh 50 per kg

Direct Labour:

- Department A 4,000 hours at Ksh 50 per hour
- Department B 5,000 hours at Ksh 60 per hour

Additional information:

- Production overheads are absorbed using the direct labour rate as follows:
 - Department A - Ksh 70 per hour;
 - Department B - Ksh 80 per hour
- Administration overheads are absorbed at 10% of prime cost.
- Selling and distribution overheads are absorbed at 7.5% of prime cost.
- Selling price is set at factory cost plus 25%.

Prepare a quotation showing:

- (i) total cost of the batch;
- (ii) selling price per unit.

(11 marks)

- (b) Dos Ltd has been outsourcing meals for its employees at Ksh 45 per plate. The company intends to operate a canteen where employees will be offered lunch at a fee equivalent to the cost of the meal.

The following is the estimated cost of preparing 10,000 plates of the meal:

	Ksh
Inputs and other provisions:	
Maize flour	100,000
Meat	80,000
Vegetables	70,000
Cooking fats	60,000
Soft drinks	28,000
Labour cost:	
Cooks	25,000
Supervisor	10,000
Waiters	12,000
Miscellaneous overheads:	
Depreciation of utensils	2,700
Insurance	3,000
Electricity	4,000
Cooking gas	5,000

- (i) Prepare a canteen cost statement;
- (ii) Calculate the cost per plate;
- (iii) Advise the management on whether to operate the canteen or continue outsourcing for meals.

(9 marks)

6. (a) Mapema Manufacturers has received an order to make a specialized machine for a client. The following details relate to job order number ZP:

Direct materials	Ksh. 10,000,000
Engine component	Ksh. 200,000
Direct labour	
Department: X	2,000 hours
: Y	1,000 hours
Wage rate per hour	
Department: X	Ksh 300
Y	Ksh 420

Additional information:

- Production overheads are absorbed at 50% of direct labour cost;
- Administration overheads are 20% of factory overhead cost.

(i) Prepare a cost sheet for job ZP;

(ii) The firm could buy the specialized machine for the customer from a dealer at Ksh 15,025,000. Advise the management on whether they should make or buy the machine.

(10 marks)

(b) Explain **five** benefits that may accrue to an organization that uses a perpetual inventory system. (10 marks)

7. (a) Sungura Ltd has three departments; S, R and T. The following are the budgeted overheads for the year 2013:

		Ksh
Insurance	– Machinery	15,000,000
	– Stock	1,500,000
Rent for factory		3,210,000
Transport service to employees		450,000

Additional information

	Departments		
	S	R	T
Area (Square metres)	1,500	900	600
Number of employees	150	120	90
Value of machines (Ksh m)	6	4	2
Value of stock (Ksh m)	1.2	1.8	2

Prepare an overheads analysis sheet for the year 2013. (12 marks)

- (b) Besto Ltd makes furniture on order. The following information relates to job order number 5.

	Ksh
Direct materials	350,000
Direct expenses	200,000
Direct wages	250,000
Administration overheads	150,000
Selling and distribution overheads	25,000

Additional information:

- The factory overheads are absorbed at 200% of direct wages cost, while the profit is fixed at 25% of total cost.
- For a similar order, the prime cost is expected to rise by 20% in the forthcoming year. However, the management intends to maintain the same level of profit.

Advise the management on the price to charge for the new job in order to make the same profit.

(8 marks)