1. (a) The following information was extracted from the books of Ndoni Ltd for the year ended 31st December 2015:

	Ksh
Raw materials	2,660,000
Direct labour	3,500,000
Factory power	1,100,000
Factory supervision salaries	1,730,000
Direct expenses	600,000

Additional information

- Stock of raw materials

1st January 2015	400,000
31st December 2015	230,000

- Depreciation charge for the year for plant and equipment was: 340,000

- During the year ended 31st December 2015, 2,000,000 units were produced
- The production cost per unit for the year ended 31st December 2014 was Ksh8.50.

(i) Prepare a cost statement for the year ended 31st December 2015 showing:

I) Raw materials consumed.
II) Prime cost.
III) Total production cost.
IV) Production cost per unit.

(ii) State **two** management actions that may have caused the changes in production cost per unit noted in (i) above. (8 marks)

(b) Panda Ltd operates a factory which has 15 direct workers. Employees are paid a basic wage rate of Ksh350 per hour. The normal working hours per week is 40 hours. During the week ended 5th April 2016, the total time worked by direct workers was 690 hours. Overtime is paid at time rate and a third. Overtime is worked to meet general production requirements. Twenty hours of direct workers' time were regarded as idle time.

For the week ended 5th April 2016, calculate:

(i) Basic wages.
(ii) Overtime wages.
(iii) Gross wages.

(iv) Direct wages.
(v) Indirect wages. (12 marks)

2. (a) Explain **four** bases used in absorbing overheads. (8 marks)

(b) Chemo Ltd manufactures a product which passes through two processes, I and II to completion. The following information relates to the year ended 31st December 2015.

Process	**I**	**II**
	Ksh	**Ksh**
Raw materials (5,000 kg)	280,000	-
Direct wages	150,000	250,000
Direct expenses	45,000	18,000
Production overheads	312,000	416,600
Output (units)	4,200	3,900
Normal loss (% of input)	12	5
Scrap value of losses (Ksh/Kg)	65	200

Prepare:

(i) Process I account.
(ii) Process II account.
(iii) Normal loss account.
(iv) Abnormal loss accout. (12 marks)

3. (a) Bidii Ltd manufactures products on order. The firm has two departments, machining and assembly. Overheads are absorbed using machine hours for machining department and labour hours for assembly departments.

The following estimates were made for the year to 31st December 2015:

	Ksh
Factory overheads	
Machine departments	600,000
Assembly department	300,000

Factory time:	
Machining department	8,000 machine hours
Assembly department	12,000 labour hours

During the month of February 2015, Job No. JB77, was undertaken. The following information relates to the job:

Department	**Machining**	**Assembly**
Direct materials	**Ksh**	**Ksh**
	19,000	6,500
Direct labour	3,000	25,000
Time:	Hours	Hours
Machine hours	240	22
Labour hours	50	1,700

Prepare a job cost card for Job No. JB77. (8 marks)

(b) Mega Ltd was awarded a contract of building an office block for Tawala college. The contract price was Ksh15,000,000. The construction started on 1st January 2015. The following information relates to the contract for the year ended 31st December 2015:

Process	**Ksh (000)**
Materials sent to site	3,100
Materials returned to stores	130
Materials on site - 31 December 2015	470
Plant installed at site	5,200
Plant value - 31 December 2015	4,500
Wages paid	2,300
Wages accrued - 31 December 2015	200
Direct expenses paid	1,100

Overhead apportionment	600
Sub-contractors fees	2,400
Work certified	12,000
Cash received	10,800
Cost of work not certified	1,800

Additional information:

- It is the company's policy to report two-thirds of the profit. The company takes into account cash received in computation of profit.
- Retention money had been agreed at 10%.

Prepare: (1) There must be

(i) Contract account.
(ii) Contractee account. (12 marks)

4. (a) Bonde Ltd manufactures a product which uses material M45 in its production. The following information relates to the material:

2,300 at 8
700 at

2016			
March	1	Balance in stock:	1,500 units at Ksh7 each
	4	Purchased	2,300 units at Ksh8 each
	5	Issued	3,000 units
	12	Purchased	4,000 units at Ksh9 each
	18	Issued	2,800 units
	25	Issued	1,600 units
	31	Purchased	3,500 units at Ksh7.50 each

The company uses Last In First Out (LIFO) method of valuing material issues.

Prepare a stores ledger account for the month of March 2016. (12 marks)

1500 x 7

There must be proper system for stock and store control.
There must be cooperation and coordination among staff members.
There must be proper marking and arranging of stock.
Some standardisation for must be properly [illegible]
to ensure that store is [illegible]

(b) Kili intends to start offering transport services on route 460. He intends to purchase a motor vehicle for the business. The following information relates to the vehicle:

	Ksh
Cost of vehicle	1,200,00
Estimated scrap value	400,000
Expected useful life	4 years
Estimated distance to cover per year	60,000 Km
	Ksh
Annual insurance premium	150,000
Repairs and maintenance per year	70,000
Drivers monthly salary	20,000
Cost of tyres per annum	38,000
Cleaning and security expenses per month	1,000
Annual membership fee	10,000

Depreciation is charged on straight line basis.

(i) Determine:

I) The total cost per annum.

II) The cost per Km

(ii) The vehicle will operate for 250 days per year and earn an average revenue of Ksh9,000 per day. Other administration expenses are estimated at Ksh530,000 per annum.

I) Determine the expected annual profit or loss.

II) Advise Kili whether to invest in the transport services business or not.

(8 marks)

5. (a) Explain in each of the following terms:

(i) Fixed costs
(ii) Direct costs
(iii) Variable costs
(iv) Factory overheads (8 marks)

(b) Jaza Ltd manufactures and sells its components in batches. The batches pass through four departments. The company has received an order for 200 components which will be made as Batch CPX4. The following information relates to the batch:

Materials	Ksh40,475
Labour:	

50 hours in department A at Ksh30 per labour hour.
100 hours in department B at Ksh4o per labour hour.
32 hours in department C at Ksh25 per labour hour.
20 hours in department D at Ksh35 per labour hour.

Overheads are absorbed using direct labour hours. The budgeted overheads and labour hours for the period were Ksh350,000 and 28,000 hours respectively. Administration overheads are charged at 10% of factory cost. The company loads a profit of 20% of total cost of all work undertaken.

Prepare a batch statement for CPX4 showing:

(i) The total cost
(ii) The selling price
(iii) The cost per unit
(iv) The selling price per unit (12 marks)

The selling

6. (a) Abdi and Betty are employed by Bora manufacturers. During the week ended 1st March 2016, Abdi was issued with materials to make 200 units and Betty was issued with materials to make 180 units of product P22. The time allowed per unit is 15 minutes.

The normal working hours per week is 40 hours. Overtime is paid at a rate of time and a half. A bonus based on time saved is paid at 70% of the basic hourly rate of Ksh50. Abdi completed his work in 45 hours while Betty took 42 hours.

(i) For each employee, determine:

I) Basic pay
II) Overtime pay
III) Bonus pay
IV) Gross pay
V) Labour cost per unit

(ii) Advise the management on the efficiency of the two workers. (8 marks)

(b) Sukuma Ltd has three production departments A, B and C. The following are the budgeted overheads for the year to 31st December 2015:

	Ksh	Ksh
Rent		360,000
Electricity		150,000
Power		600,000
Supervision		480,000
Insurance of machinery		81,000
Canteen expenses		180,000
Maintenance:		
Department A	40,000	
Department B	37,000	
Department C	23,000	
		100,000
		1,951,000

Additional information:

Department	A	B	C
Area (m^2)	400	400	200
Effective power (HP)	50	30	20
Number of employees	8	12	4
Book value of machinery (Ksh)	480,000	360,000	240,000

Prepare an overhead analysis sheet. (12 marks)

7. (a) Explain **four** benefits that may be derived from installing an effective cost accounting system.

(8 marks)

(b) Kaka Ltd manufacturers a product which goes through a single process. The following information relates to the process for the month of January 2016.

Process costs:	**Ksh**
Materials (3,200 units)	128,000
Labour	72,960
Overheads	59,200

During the year, 2,800 units were transferred to finished goods, while 400 units remained as work-in-progress with the following percentages of completion:

Materials	10%
Labour	60%
Overheads	40%

Prepare a production cost statement showing:

(i) Equivalent production
(ii) Cost per equivalent unit
(iii) Cost of finished goods
(iv) Value of work-in-progress (12 marks)

THIS IS THE LAST PRINTED PAGE.