



GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2016/2017** ACADEMIC YEAR **ONE**
FIRST SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DIPLOMA BUSINESS MANAGEMENT

COURSE CODE: DBM 013

COURSE TITLE: COST AND FINANCIAL ACCOUNTING

EXAMINATION DURATION: 3 HOURS

DATE: 08/12/17

TIME: 02.00-05.00 PM

INSTRUCTION TO CANDIDATES

- The examination has **SIX (6)** questions
- Question **ONE (1)** is **COMPULSORY**
- Choose any other **THREE (3)** questions from the remaining **FIVE (5)** questions
- Use sketch diagrams to illustrate your answer whenever necessary
- Do not carry mobile phones or any other written materials in examination room
- Do not write on this paper

This paper consists of **FIVE (5)** printed pages

please turn over



QUESTION ONE (COMPULSORY)

(a) Nywele Ngumu limited has two production departments A and B and two-service department X and Y. The following estimates relates to the firm for the year 2018.

	Kshs
Repairs to machinery	1,200,000
Electricity	640,000
Staff Canteen	480,000
Rent	960,000
Indirect material: Department A	60,000
B	80,000
X	40,000
Y	30,000
Supervisors wages	180,000

The following information relates to the departments.

	A	B	X	Y
Floor Area (M)	45	25	15	15
Number of employees	12	18	14	6
Value of machinery (kshs million)	4	5	1	-

The costs of service departments are re-apportioned as follows

Departments	A	B	X	Y
X	30%	40%	-	30%
Y	40%	60%	-	-

Required

i. Prepare an overhead analysis schedule

[15 marks]



(b) Briefly explain THREE ways in which cost may be classified **[6 marks]**

(c) Illustrate areas under which time based system of labour remuneration is appropriate **[4 marks]**

QUESTION TWO

(a) Explain the effects of holding excessive stock **[5 marks]**

(b) Duale textile limited uses material P in manufacturing product. The firm values materials issued using the weighted average cost method. The following information relates to the material for the month of May 2017.

May 2 received 500 units at sh. 20 each.

8 received 30 units at sh.22 each

10 issued 400 units

15 issued 200 units

20 received 600 units at she. 25 each

25 issued 300 units

27 received 200 units at shs. 26 each.

30 issued 100 units

Required

i. Prepares stores ledger card and shows the value of closing stock on 30th May 2017 **[10 marks]**

QUESTION THREE

(a) Explain five ways in which cost accounting may differ from financial accounting **[10 marks]**

(b) Highlight factors to consider when setting stock levels **[5 marks]**



QUESTION FOUR

(a) Paul an employee of Taddo Enterprises is allowed to produce 50 units in 40 hours. During the first week of August 2017, he produced 60 units in 44 hours. The basic wage rate is 240 per hour.

Calculate his total weekly wage using each of the following bonus schemes:

- i. Rowan scheme **[3 marks]**
- ii. Halsey scheme **[3 marks]**

(b) Product p passes through two processes to completion. During the month of June 2017, 4000 units of raw materials of kshs 10 were issued to process I.

The following costs were incurred

	Additional Direct Material	Direct Labour	Direct Expenses
	Ksh	ksh	ksh
Process 1	50,000	60,000	40,000
Process 11	78,000	52,000	30,000

Production overhead incurred by the firm was kshs 120,000 and was to be apportioned to the two processes equally.

Prepare;

- i. process I Account
- ii. Process II Account **[9 marks]**

QUESTION FIVE

(a) Explain the features of contract costing **[5 marks]**

(b) The following information relates to Quon limited for the year 2016.

	Ksh
Factory rent	450,000
Inventory raw material (1 January 2016)	160,000
(31 December 2016)	120,000
Machine operators wages	620,000
Purchase of raw materials	1,400,000



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Factory power	200,000
Hire of machinery	140,000
Insurance of factory machinery	50,000
Carriage on raw materials	44,000
Depreciation of machinery	38,000

Required;

Prepare a cost statement for the year **[10 marks]**

QUESTION SIX

(a) Explain the advantages of centralized system of maintaining stores **[3 marks]**

(b) Explain the assumptions behind the Economic Order Quantity (EOQ). **[3 marks]**

(c) The following information is given for material Y-20. Consumption:

Annual demand 360,000 units

Maximum 1,200 units/day

Minimum 800 units/day

Normal 900 units/day

Re-order period 12 – 24 days

Re-order quantity 32,000 units

Required:

i. Re-order level. **[3 marks]**

ii. Minimum stock level **[3 marks]**

iii. Maximum stock level **[3 marks]**

