



## GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **ONE**  
**SECOND** SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DIPLOMA I BUSINESS MANAGEMENT

COURSE CODE: DBM 13

COURSE TITLE: COST AND FINANCIAL ACCOUNTING

EXAMINATION DURATION: 3 HOURS

**DATE: 12/04/18**

**TIME: 09.00-12.00 PM**

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### INSTRUCTION TO CANDIDATES

- The examination has FIVE (5) questions
- Question ONE (1) is COMPULSORY
- Choose any other THREE (3) questions from the remaining FOUR (4) 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)**

The following are the cost data provided from the cost accounting department of Kogelo company ltd.

Item description	cast per unit (kshs)
Direct materials	80
Direct labour	60
Variable production overheads	20
Variable selling	24
<b>FIXED COST</b>	
Production	7,200,000
Administration cost	2,000,000
Selling and distribution	2,400,000
Output units	180,000
Opening stock units	20,000
Closing stock units	40,000
Selling price per unit	kshs 300

**Required**

- i. Compute unit cost and under marginal and absorption costing **[4 marks]**
- ii. Prepare profit and loss statement using
  - a. Marginal Costing **[8 marks]**
  - b. Absorption Costing **[8 marks]**
- iii. Prepare profit reconciliation statement **[5 marks]**



## QUESTION TWO

- (a) Describe four ways in which cost may be classified **[8 marks]**
- (b) Tech Limited has a photocopying machine. The following data relates to the machine for a period of five months

Month	Number of Copies	Total Photocopying cost (kshs)
April	12,000	130,000
May	14,000	150,000
June	15,000	170,000
July	16,000	180,000
August	13,500	140,000

### Required

- i. Formulate a predictor equation in the form of  $y = a + bx$ , using the simple linear regression analysis **[10 marks]**
- ii. Using the equation formulated in (i) above estimate, e the total cost of producing 17,000 copies **[5 marks]**

## QUESTION THREE

- (a) Highlight the differences between financial accounting and cost accounting **[7 marks]**
- (b) Park Enterprises manufactures a single product that requires material X. The following data is available in relation to the material:

Normal weekly usage 600kg

Minimum weekly usage 300kg

Maximum weekly usage 800kg

Reorder period 2-4 weeks



**Compute;**

- i. Reorder level
- ii. Maximum stock level
- iii. Minimum stock level
- iv. Average stock level

**[8 marks]**

**QUESTION FOUR**

The following details were extracted from the stores record of Nywele Ngumu Company during the month of May 2018

May 2, Received 500 units at shs 20 each

8, Received 300 units at shs 22 each

10, Issued 400 units

15, Issued 200 units

20, Received 600 units at shs 25 each

25, Issued 300 units

27, Received 200 units at shs 26 each

30, Issued 100 units

The standard price for each unit is shs 24

**Required**

Prepare stores ledger card and show the value of closing stock on 30/05/17 using

- i. First in First Out (FIFO) method
- ii. Weighted average cost method

**[8 marks]**

**[7 marks]**



**QUESTION FIVE**

- (a) What are the objectives of a budget **[6 marks]**
- (b) ABC Ltd has an aggregate demand of 1,200,000. Each time they place an order there is an ordering cost of kshs 1000, holding cost is kshs 100 per unit

**Required**

- i. Economic order quantity (EOQ)
- ii. Number of orders
- iii. Total cost of stocks based on EOQ **[9 marks]**

