

LAIKIPIA



UNIVERSITY

UNIVERSITY EXAMINATIONS

1ST SEMESTER 2023/2024 ACADEMIC YEAR

SECOND YEAR EXAMINATION FOR THE DEGREE
OF BACHELOR OF AGRIBUSINESS MANAGEMENT

AGBM -212: COST ACCOUNTING

STREAM:

TIME: 2 HRS

DAY: MONDAY [8.30-10.30 A.M]

DATE: 18/12/2023

THIS QUESTION PAPER CONSISTS OF FOUR (4) PAGES

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ANSWER QUESTION ONE AND ANY OTHER TWO

QUESTION ONE

- a). State the objectives of cost and management accounting (4marks)
- b). State the main features of continuous stock taking. (4 Marks)
- c). From the following transactions prepare the stores ledger card using FIFO method. (12 marks)

July 2013	TRANSACTIONS	
1 st	Opening Stock	500 units @Shs. 20
4 th	Purchased	400 units @ Shs. 21
6 th	Issued	600 units
8 th	Purchased	800 units @ Shs.24
9 th	Issued	500 units
13 th	Issued	300 units
24 th	Purchased	500 units @ Shs.25
28 th	Issued	400units

- d). Explain the special features of contract costing. (5 marks)
- e). A company has estimated requirements for the year established at 4,800 units. Given that the cost per unit is Shs. 3 ordering cost (Cost per order) is Shs. 60 and the carrying cost (percentage average inventory) established at 10%. Determine the EOQ in units for this company. (5marks)

QUESTION TWO

- a) A company has fixed costs of Shs 5,800,000 and a contribution margin ratio of 45.5%. The selling price per unit is Shs 100. Compute the break-even point in units and Sales. (10 marks)
- b) State the assumptions of BEP analysis. (5 marks)
- c) Highlight the objectives of good store keeping. (5 marks)

QUESTION THREE

- a) Briefly explain the following terms as used in process costing:
 - i) Normal loss. (4 marks)
 - ii) Abnormal loss. (4 marks)
 - iii) Joint products. (4 marks)



b) The following information is given for material Y.

Consumption:

Annual	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 (2 marks)

QUESTION FOUR

XYZ limited has been awarded a contract to build a house. This is a contract No 45 for the company and the contract price is shs.2.65 million. At the end of the company’s financial year, the contract was 85% complete and hence regarded as being near completion. You are also provided with the following information about the contract:

Particulars	Shs.
Materials purchased and delivered	580,000
Materials issued from store	60,000
Materials returned to stores	7,000
Site expenses	300,000
Site wages	200,000
Plant sent to site	100,000
Architect’s fees	30,000
Plant returned from site	10,000
Subcontractor’s fees	105,000
Head Office overheads absorbed	60,000

Valuation at the year ending disclosed the following:

	Shs
Materials:	19,500
Plant on site	50,000
Work done but not yet certified	60,000



Additional Information

The portion of the work which was completed during the year and certified by the architect was assessed as representing 75% of the whole contract price. The contractee made payments to this extent less 10% retention money.

The management of the company decided for the purpose of preparing the company's annual accounts to make a provision of a third of the national profit against the possibility of defects and other contingencies arising later in respect of the work already certified for payment.

Required

- | | |
|-------------------------|-------------------|
| a) The contract account | (15 Marks) |
| b) Profit not taken | (3 Marks) |
| c) Profit taken | (2 Marks) |

