

**KISII UNIVERSITY**

**COURSE OUTLINE**

**Course code:** AGBM 210

**Course title:** COST ACCOUNTING FOR PROJECTS

**Year and semester:** Year 2 Semester 1

**KISII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**MAIN CAMPUS**

**SECOND YEAR EXAMINATION FOR THE AWARD OF THE  
DEGREE OF BACHELOR OF COMMUNITY DEVELOPMENT**

**SECOND SEMESTER 2021/2022**

**(JUNE-SEPTEMBER 2022)**

**AGBM 210: COST & ACCOUNTING FOR PROJECTS**

**STREAM: CDEV Y2S2**

**TIME: 2 HOURS**

**DAY.....**

**DATE.....**

**INSTRUCTIONS**

1. *Do not write anything on this question paper.*
2. *Answers question ONE and any other TWO questions.*
3. *Start your answer for each question in a new page.*
4. *Be neat and orderly in your presentation.*

**QUESTION ONE (30 MARKS)**

- a) X bottlers produce soda after three processes. The following information is provided in the period

ITEM	TOTAL	1	2	3

DIRECT MATERIAL	2,200	1800	300	100
DIRECT WAGES	400	100	200	100
DIRECT EXPENSES	500	300		200

Production overhead incurred is shs800 and recovered at 200% of direct wages  
 Production during the period was 100 kg at 25 shs per kg. There was no opening or closing stock.

Commented [U1]:

Required:

- a) Prepare the respective process accounts (12marks)
- b) Distinguish between Cost Accounting and Financial Accounting (8 marks)
- c) Describe the main elements of cost (6marks)
- d) Distinguish between abnormal gain and abnormal loss (4marks)

**QUESTION TWO (20 MARKS)**

a) Assume that the product manager of ABC Ltd is concerned about the apparent fluctuations in efficiency and therefore work done by employees which are related to the volume. The result of this in most 12 weeks research carried out is as shown below;

Week	Machine hours (cost driver)	Indirect labour costs (Kshs)
1	68	1,190
2	88	1,211
3	62	1,004
4	72	917
5	60	770
6	96	1,456
7	78	1,180
8	46	710

9	82	1,316
10	94	1,032
11	68	752
12	48	963

Required

(i) Find the indirect labor costs associated with 90 machine hours using the regression method and the two points or range method (10marks)

(ii) The machine hours that \$1,000 of indirect labor cost would produce (5marks)

b) State and briefly explain the objectives of Materials Controls (5marks)

### QUESTION THREE (20 MARKS)

a) What is meant by the term „classification of costs“? Explain various types of cost classifications (12marks)

b) The following information relates to BB Ltd for a stock item X with an annual demand of 50,000 units. Reorder period is 3-5 months. Consumption rate is 2500-4500 units per month and reorder quantity has been calculated as 20000 units

**Required**

i) Reorder level

ii) Minimum stock level

iii) Maximum stock level

iv) Average stock level

v) Stock turnover

(8marks)

### QUESTION FOUR

a) Prepare a cost statement from the following information

Raw materials                      300,000

Direct labor                         80,000

Factory rent	15,000	
Power	5,000	
Supervisor's salaries	20,000	
Administration expenses	40,000	
Selling and distribution expenses	15,000	(10marks)

- b) Explain at least ten advantages of standard costing (10marks)

#### QUESTION FIVE

- a) The following details were extracted from the stores ledger card of a small manufacturing company during the month of November 2016

November

2	Received	500 units @ shs 20 each
8	Received	300 units @ shs 22 each
10	Issued	400 units
15	Issued	200 units
20	Received	600 units @ shs 25 each
25	Issued	300 units
27	Received	200 units @ shs 26 each
30	Issued	100 units

Standard price for each unit after the month of May is shs 25/. Market price of this material on December is shs 27/ unit and 400 units were purchased on that day

#### *Required*

- b) Prepare stores ledger card to record the above transactions using weighted average. What is the closing stock in units and Kshs (20marks)