**PAN AFRICAN CHRISTIAN UNIVERSITY (PAC)**

**EXAMINATION 2020/2021**

**BACHELOR IN BUSINESS INFORMATION TECHNOLOGY**

**BCM 212: SPECIAL COST ACCOUNTING - ROYSAMBU EVENING**

**DATE: AUGUST 2020 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER THREE**

**Question One (10mks)**

1. Amazon Steels Inc. is a metal- and woodcutting manufacturer, selling products to the home construction market. Consider the following data for 2017:

Sandpaper Kes 2,000

Materials handling costs 70,000

Lubricants and coolants 5,000

Miscellaneous indirect manufacturing labor ?

Direct manufacturing labor 300,000

Direct materials inventory Jan. 1, 2017 40,000

Direct materials inventory Dec. 31, 2017 50,000

Finished goods inventory Jan. 1, 2017 100,000

Finished goods inventory Dec. 31, 2017 150,000

Work-in-process inventory Jan. 1, 2017 10,000

Work-in-process inventory Dec. 31, 2017 14,000

Plant leasing costs 54,000

Depreciation—plant equipment 36,000

Property taxes on plant equipment 4,000

Fire insurance on plant equipment 3,000

Direct materials purchased 460,000

Revenues 1,360,000

Marketing promotions 60,000

Marketing salaries 100,000

Distribution costs 70,000

Customer-service costs 100,000

ADDITIONAL INFORMATION:

Indirect manufacturing labour included indirect labour 400hrs a rate of Kes 60/hour, overtime premium of 200hrs at a rate of Kes 75/hr, and an idle time of 40hrs at a rate of Kes 25/hr

Required:

1. prime cost (2 Marks)
2. factory cost (2 Marks)
3. cost of goods manufactured (2 Marks)
4. cost of goods sold (2 Marks)
5. income statement (2 Marks)

**QUESTION TWO**

1. Contrast First in First Out and Weighted Average Method (4 Marks)
2. Allied Chemicals operates a thermo-assembly process as the second of three processes at its plastics plant. Direct materials in thermo-assembly are added at the end of the process. Conversion costs are added evenly during the process. The following data pertain to the thermo-assembly department for June 2012:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Units Sold | Physical Units | Total Cost | Direct Materials | Conversion Cost |
| Beginning WIP |  **225** |  **26,100**  | **18,000** |  **8,100** |
| Degree of Completion |  |  | **100%** | **60%** |
| Started with in current period |  **275**  |  |  |  |
| To be accounted for |  |  |  |  |
| Completed and Transferred |  400 |   |   |   |
| Ending WIP |  100 |   |   |   |
| Degree of Completion |   |   | 100% | 50% |
| Total Cost added |  |  **36,180** | **19,800** |  **16,380** |

Required: Using First in First out method

1. Calculate the equivalent units (2 Marks)
2. Calculate the direct and total cost (2 Marks)
3. Assign cost to completed goods and Work in Progress (2 Marks)

**QUESTION THREE**

1. Assume that Mary has a fixed cost of Kes 200,000, a selling price of Kes 20,000 and a variable cost per unit of Kes 12,000. Calculate the contribution margin. (4 Marks)
2. Explain three methods of expressing Cost Volume Price relationships (6 Marks)

**QUESTION FOUR**

1. Differentiate between flexible budget variance and static sales volume variance (4 Marks)
2. From the table below, calculate the variances and flexible budget, assuming that the company budgeted for a selling price of Kes 120. Also, the company estimated the following standard cost per output: direct materials Kes 60, direct labour Kes 16, overhead Kes 12 and fixed cost Kes 27.6 (6 Marks)

|  |  |  |  |
| --- | --- | --- | --- |
| Units Sold | Actual Results | Static Budget  | Static Volume Variance |
| Units Sold | 10,000 | 12,000 |   |
| Revenue  | 1,250,000 | 1,440,000 |   |
| **Variable Cost** |   |   |   |
| Direct material  | 621,600 | 720,000 |   |
| Direct Labour | 198,000 | 192,000 |   |
| Manufacturing Overhead | 130,500 | 144,000 |   |
| **Total Variable Cost** |   |   |   |
| **Contribution Margin** |   |   |   |
| Fixed manufacturing cost | 285,000 | 276,000 |   |
| **Operating income** |   |   |   |

**QUESTION FIVE**

1. Explain the FIVE cost estimation methods (5 Marks)
2. Outline the FIVE-step decision-making process for any company (5 Marks)

**QUESTION SIX**

1. Differentiate between marginal costing and absorption costing. (2 Marks)
2. Discuss Joint and By Product costing method (2 Marks)
3. Discuss THREE types of inventories that a firm can hold (6 Marks)