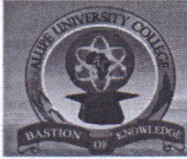


DBM 13



**ALUPE UNIVERSITY
COLLEGE**

... Bastion of Knowledge ...

P. O.Box 845-50400 Busia(K)
principal@auc.ac.ke
Tel: +254 741 217 185
+254 736 044 469
off Busia-Malaba road

OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2020 /2021 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER REGULAR EXAMINATION

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DBM 13

COURSE TITLE: COSTS AND FINANCIAL ACCOUNTING II

DATE: 10TH MARCH,2021

TIME:2PM- 5PM

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

MAIN EXAM**DBM 13: COSTS AND FINANCIAL ACCOUNTING II****STREAM: DBM****DURATION: 3 Hours**INSTRUCTIONS TO CANDIDATES

- i. Answer *Question ONE* and any other *TWO* questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

QUESTION ONE

- (a) Explain the following terms as used in partnership;
 - (i) Short term versus long term interests (2 marks)
 - (ii) Fixed versus fluctuating capital accounts (2 marks)
- (b) Discuss the stages followed by a company when issuing shares (8 marks)
- (c) The following information relate to contract W as at 31st December 2020:

	\$
Wages	42000
Materials direct to site	54000
Materials transferred to River-view site	1500
Plant purchased at cost	12500
Sub-contractors charges	19500
Site expenses (power)	5000
Materials on site (31.12.20)	18300
Plant on site (31.12.20)	14750
Prepayments at 31.12.20	500
Accrued wages 31.12.20	920
Cost of work done but not certified	7250
Head office charges are 10% of wages	
Materials from store	650
The contract value is \$ 550,000.	

Required; Contract Account for the year ended 31st December 2020 clearly showing the profit for the year. Value of work certified by the architect was \$137,500 and the contractor had made progress payments of this amount less 15% agreed retention percentage (18 marks)

QUESTION TWO

- (a) Using an illustration, distinguish between abnormal gain and normal loss (6 marks)
- (b) Enumerate the key features of process costing (4 marks)
- (c) The manufacture of product "Fanta" requires three distinct processes. On completion of the product is passed from Process 3 to finished stock. During the month of December 2018, the following information was obtained:

DBM 13

Elements of cost	Total	Process 1	Process II	Process III
	\$	\$	\$	\$
Direct materials	26000	15000	11000	0
Direct labour	26500	15000	6000	8000
Direct expenses	8000	3000	0	5000
Production overhead	79500			

Production Overhead is absorbed by processes at a percentage of direct wages. Production during the period was 1,000 kgs. There was no stock of raw materials or work-in-progress at the beginning or at the end of the month.

Required; Process cost accounts (10 marks)

QUESTION THREE

- (a) Distinguish between perpetual and periodic inventory system (4 marks)
- (b) Zulu company Limited has made the following purchases and sales during the month of January 2019.

January 01: Inventory at the beginning of the month; 24 units @ \$1,000 per unit.

January 04: Sales: 16 units.

January 07: Purchases; 12 units @ \$1,020 per unit.

January 10: Purchases; 10 units @ \$1,050 per unit.

January 14: Sales; 16 units.

January 23: Sales; 12 units.

January 24: Purchases; 12 units @ \$1,060 per unit.

January 27: Purchases; 4 units @ \$1,080 per unit.

January 29: Sales; 6 units.

During the month, all sales have been made @ \$1600 per unit.

Required: Prepare a FIFO perpetual inventory card (13 marks)

(c) Describe the merits FIFO method (3 marks)

QUESTION FOUR

- (a) Departmental accounting seeks to attain some key objectives in most organizations. Discuss. (10 marks)

- (b) Summer limited has two departments, X and Y.

	Department X	Department Y
	\$	\$
Opening stock at cost	40000	24000
Purchases	184000	136000
Carriage inward	4000	4000
Wages	24000	16000
Sales	280000	224000
Purchased goods transferred;		
By Department Y to X	20000	-
By Department X to Y	-	16000

DBM 13

Finished goods transferred:		
By Department Y to X	70000	-
By Department X to Y	-	80000
Return of finished goods;		
By Department Y to X	20000	-
By Department X to Y	-	14000
Closing stock: Purchased goods	9000	12000
Finished goods	48000	28000

Purchased goods have been transferred mutually at their respective departmental purchase cost and finished goods at departmental market price and that 20% of the closing finished stock with each department represents finished goods received from the other department.

Required; Prepare departmental trading accounts for the year ending 31st December 2020 (17 marks)

(c) Explain the main interdepartmental transfer prices types used in departmental accounting (3 marks)

QUESTION FIVE

(a) Budgeting is termed as the ‘lifeblood’ of any organization that seeks to maintain its going concern. Support this statement. (10 marks)

(b) ABC company manufactures and sells a product for \$20 per Kg. The data for the year ended 30th June 2019 is given below:

Sales in kgs: 75,000 kgs

Finished goods inventory at the beginning of the period: 12,000 kgs

Finished goods inventory at the closing of the period: 17,000 kgs

Manufacturing costs:

Variable cost: \$8 per Kg

Fixed manufacturing overhead cost: \$320,000 per year

Marketing and administrative expenses:

Variable expenses: \$2 per Kg of sale

Fixed expenses: \$300,000 per year

Required: Prepare income statement using absorption costing method (10 marks)
