



OFFICE OF THE DEPUTY PRINCIPAL

ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS

# UNIVERSITY EXAMINATIONS

## 2018 /2019 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER REGULAR EXAMINATION

### FOR THE DIPLOMA OF BUSINESS

### MANAGEMENT

**COURSE CODE: DBM 013**

**COURSE TITLE: FUNDAMENTALS OF FINANCIAL AND  
COST ACCOUNTING**

**DATE:**

**TIME: 3 HOURS**

#### INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 6 PRINTED PAGES

PLEASE TURN OVER

#### INSTRUCTIONS TO CANDIDATES

- Answer Question ONE and any other *TWO* questions

- Question ONE carries 30 marks
- Time allowed: 3 hours

### QUESTION ONE

- Define cost accounting and discuss its purpose (10 marks)
- Discuss the various classifications of cost citing relevant examples (10 marks)
- Distinguish between marginal costing and absorption costing (5 marks)
- Discuss the assumptions of breakeven point (5 marks)

### QUESTION TWO

a) The following information was extracted from the books of Aida Ltd regarding their stocks:

Receipts:

2/1/2015	received	350 units	@ sh.52
5/1/2015	received	600 units	@ sh.54
10/1/2015	received	450 units	@ sh.60
17/1/2015	received	720 units	@ sh.65
25/1/2015	received	300 units	@ sh.69

Issues

3/1/2015	issued	450 units
7/1/2015	issued	570 units
13/1/2015	issued	320 units
19/1/2015	issued	200 units
27/1/2015	issued	500 units

Required: Prepare a stores ledger card using the first in first out method (FIFO) and valuation of closing stock (16 marks)

b) What are the differences between the first in first out method and last in first out method? (4 marks)

### QUESTION THREE

The following data was provided by Emakaya Ltd for budgeting purposes:

	Credit Sales	Credit purchases
November	850,000	700,000
December	900,000	600,000
January	800,000	550,000

February	750,000	450,000
March	950,000	550,000



Additional Information

- i) Debtors settle according to the following patterns: 60% within the month of sale, 40% the month following thereafter.
- ii) On purchases, past experience shows that 70% are settled in the month of purchase and the balance the month after.
- iii) Wages are sh 100,000 per month and overheads sh 200,000 per month (including sh 50,000 depreciation)
- iv) Taxation of sh 80,000 has to be settled in February; the company is to receive settlement of an insurance claim of sh 250,000 in March and pay legal costs sh 60,000 same month.
- v) Opening cash balance is sh 300,000 and is to be maintained as minimum cash balance.

Required:

- a) Prepare a receipts schedule for the period January to March (2 marks)
- b) Prepare a payments schedule for the period January to March (3 marks)
- c) Prepare a cash budget for the period January to March (12 marks)
- d) What advice would you offer on the cash flow position? (3 marks)

**QUESTION FOUR**

- a) Briefly explain the following terms as used in process costing:
  - i) Normal loss. (2 marks)
  - ii) Abnormal loss. (2 marks)
  - iii) Scrap value (2 marks)
- b) The budget of wisdom ltd provides for the manufacture and sale of 10,000 units per month.

The unit standard cost being Ksh. 60/= made up as follows.

Direct materials Ksh. 35/=

Direct labour Ksh. 5/=

Fixed overhead Ksh. 20/=

The selling price of each unit is Ksh. 90/= production and sales were as follows.

Production 10,000

Sales 8,000

Required; Operating statement assuming the company uses:-

- i) Marginal costing method. (8 marks)
- ii) Absorption costing method. (7 marks)

### QUESTION FIVE

Jane Munene is the proprietor of a retail business, which has two main departments, which sell hardware and electrical goods, respectively. He had previously prepared his annual accounts in such a way that the relative profitability of the two departments was not ascertainable, but now he wishes to attempt to identify the profit attributable to each department in order that he may pay a bonus to the more successful of the departmental managers. At 30 September 1994, the balances in the books of the business were as follows:

	Sh.	Sh.
Capital		8,520,000
Sales - Hardware		7,080,000
Electrical		3,540,000
Purchases - Hardware	2,400,000	
Electrical	1,200,000	
Stocks at 1 October 1993 -	278,400	
Hardware		
Electrical	256,320	
Salaries and Wages - Hardware	2,467,200	
- Electrical	1,852,800	
Advertising	73,800	
Discounts allowed - Hardware	48,000	
- Electrical	24,000	
Drawings	360,000	
Buildings (cost)	5,160,000	
Shop fittings and equipment -	2,160,000	
Hardware		
- Electrical	840,000	
(At cost less depreciation)		
Debtors and creditors	1,224,000	638,280
Bank	672,000	
Rent and rates	189,600	
Canteen charges	105,000	

Electricity	105,600	
Insurance on stock	112,800	
General administrative expenses	<u>248,760</u>	
	<u>19,778,280</u>	<u>19,778,280</u>

**Additional information:**

1. At 30 September 1994 the following amounts were owing:

	<b>Sh.</b>
Wages - Hardware	30,000
- Electrical	20,400
Electrical expenses	2,400

2. The general administrative expenses and the rent and rates included prepayments of Sh.3, 960 and Sh.6, 400 respectively.

3. Stocks at 30 September 1994 were:

	<b>Sh.</b>
Hardware	336,000
Electrical	294,000

4. Depreciation is to be provided on shop fittings and equipment at 10% of the written down value.
5. The managers of the hardware and electrical departments are to be paid a commission of 5 % of the net profit (prior to the commission payment) of the respective departments.
6. In apportioning the various expenses between the two departments due regard is to be taken of the following information:

	<b>Hardware</b>	<b>Electrical</b>
Number of workers	9	6
Average stock levels	Sh.300, 000	Sh.264, 000
Floor area (Sq.meters)	4,000	2,000

The general administrative expenses are primarily incurred in relation to the processing of purchases and sales invoices.

**Required:**

- (a) The departmental and combined Trading and Profit and Loss Account for the year ended 30 September 1994. (12 marks)



(b) Balance Sheet at 30 September 1994.

(8 marks)

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