



**FACULTY OF INFORMATION TECHNOLOGY
BACHELOR IN BUSINESS INFORMATION TECHNOLOGY
CAT-2**

**BBIT 3105: COST ACCOUNTING FOR INFORMATION SYSTEMS-EC
DUE DATE SATURDAY 19/12/2020**

**Instructions: (READ THE INSTRUCTIONS BELOW CAREFULLY BEFORE
ATTEMPTING THE CAT.**

1. **Answer all** the Questions (TOTAL 30Marks)
2. Write down your answers on foolscaps/or your exercise book. **(This CAT will be handwritten)**
3. Indicate your **Student Number at the top of all the pages** that you have used to answer the CAT. **Also indicate the page number at the bottom of each page** i.e First page of the foolscaps that you have written on should be page 1, Second foolscap used should be page 2.
4. Once you are done writing down your answers scan the foolscaps that you have used in order of the page numbers. Ensure that each foolscap has your student Number on top. You can use CamScanner application or any other scanning application on your phone. Rename the scanned CAT PDF document as follows -Student Number followed by the course code **e.g (113445-BBIT 3211 CAT 2)**
5. Upload the scanned CAT document in PDF format on the submission link on e-learning. Confirm that you have uploaded the correct CAT 2 document renamed as indicated above **e.g (113445-BBIT 3211 CAT 2)**
6. **Do not Copy the work.** (Copied work will not be accepted or marked)
****NOTE: Submission should be strictly in PDF format****

QUESTION ONE:

- (a) Explain what will happen to the ordering cost and the holding cost as the order quantity increases for a material within the stores of Bamburi Ltd. **(3 marks)**
- (b) Fan Base (FB) operates a megastore featuring sports merchandise. It uses an EOQ decision model to make inventory decisions. It is now considering inventory decisions for its Los Angeles Galaxy soccer jerseys product line. This is a highly popular item. The following data for 2020 has been provided:
- ✓ Expected annual demand for Galaxy jerseys 10,000 Shirts
 - ✓ Ordering cost per purchase order Shs.200
 - ✓ Holding cost per year Shs 7 per jersey

- ✓ Each jersey is purchased at a cost of Shs.40 and sells for Shs.80. The purchasing Delivery time is 7 days. FB is open 365 days a year.

Required:

- i) Calculate the EOQ. **(3 marks)**
 - ii) Calculate the total ordering cost and the total holding cost if the reorder quantity is as per the EOQ computed in (i) above. **(2 marks)**
- (c) The manager of Strathmore catering services ltd has been concerned by the lack of accurate store records in relation to Soko Baking flour. The manager is worried by the increasing Soko baking flour cost that has been incurred over the last few months. The following information has been extracted from the goods received note, invoices and other source documents.

Soko Baking Flour	
June 3	Bought 100 Kgs @ 120 per Kg
June 5	Bought 100 Kgs @ 140 per Kg
June 6	Issued 150 Kgs
June 8	Bought 250 Kgs @ 130 per Kg
June 14	Issued 100 Kgs
June 22	Bought 200 Kgs @ 150 per Kg
June 28	Issued 200 Kgs

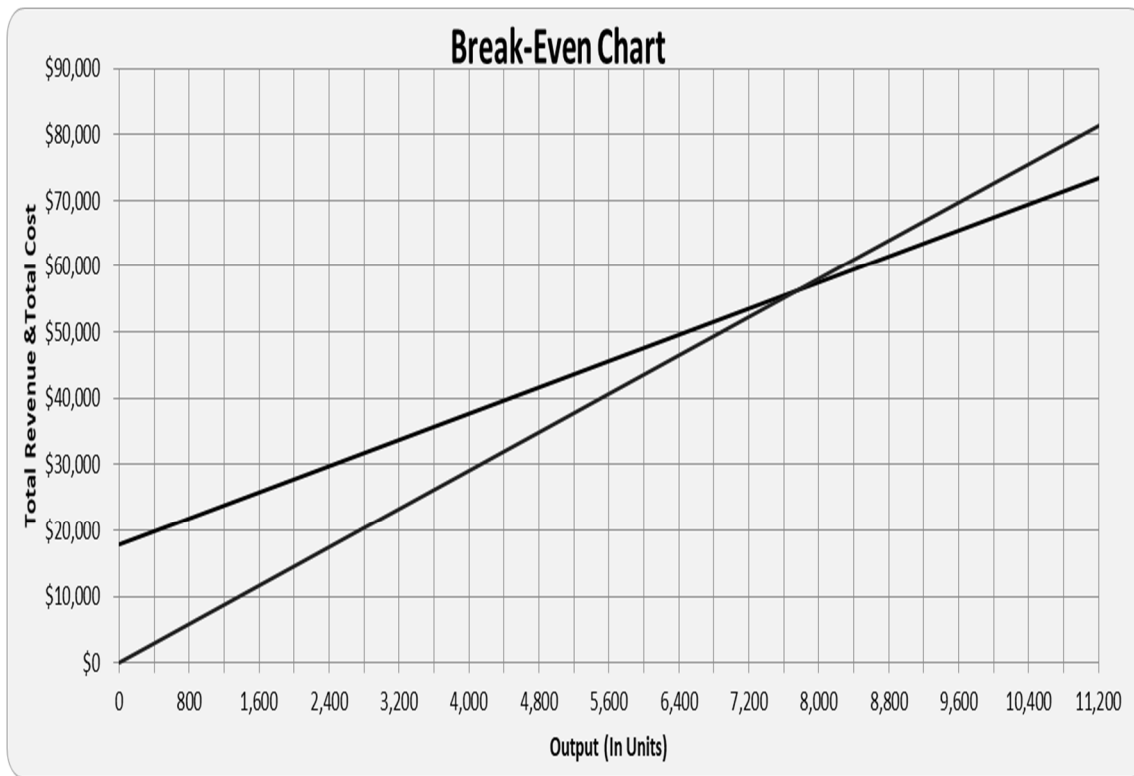
Required:

- i) Prepare the stock ledger account for Soko Baking flour using the Weighted Average price method Month of June 2020 **(6 marks)**
- ii) From the above stock ledger account calculate the valuation of the closing stock of soko baking flour as at end of the Month of June 2020 **(1 mark)**

QUESTION TWO:

- (a) Explain how the break-even point in units and sales can be computed using the graphical method. **(2 marks)**

- (d) The following revenue and cost graphs have been extracted from the cost accounting records of Josma ltd a company that manufactures non-stick pans.



Required:

- From the above graph determine and explain the Break-even point in Units **(2 marks)**
 - From the above graph determine and explain margin of safety if the company is currently producing and selling 10,400 units **(1 mark)**
- (b) Explain three decisions that can be made by Bamburi ltd using the information generated from cost-volume-profit. **(3 marks)**
- (c) Xerox is a company that has been printing T-Shirts for the Kenyan Market for the last two years. The following income statement has been provided for the Xerox printers ltd for the year 2020. The income statement provided below was prepared on the basis of production of 40,000 T-Shirts and Sale of 40,000 T-Shirts during the year 2020.

Xerox Printers ltd
Income Statement
For the year 2020

		Shs
Sales		12,000,000
Less Variable Production Cost:		
Direct Material Cost	1,500,000	
Direct Labour Cost	900,000	
Variable Production overhead cost	1,200,000	
	3,600,000	(3,600,000)
Gross Contribution Margin		8,400,000
Less other Variable costs:		
Variable Administration overhead cost	180,000	(180,000)
Variable Selling & Distribution overhead cost	200,000	(200,000)
Net Contribution Margin		8,020,000
Less Fixed Cost:		
Fixed Production overhead cost	3,000,000	
Fixed Administration overhead cost	1,800,000	
Fixed Selling & Distribution overhead cost	300,000	
	5,100,000	(5,100,000)
Net Profit		2,920,000

Required:

- Calculate the break-even both in units and sales value using the contribution margin method for Xerox Ltd for the year 2020 **(3 marks)**
- Calculate the margin of safety for Xerox Ltd assuming that the actual sales for the year 2020 is as given in the above income statement (i.e Shs 12,000,000) **(1 mark)**
- Calculate the number of Units (T-Shirts) that the Xerox ltd will have to produce and sell to earn a target profit of Shs 10,000,000. **(2 Marks)**

- iv) Explain what will happen to the break-even units if the Fixed Administration overhead cost increases from Shs 1,800,000 to Shs 2,400,000. **(1 mark)**