CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS ADMINISTRATION

MBAD 812: MANAGERIAL ACCOUNTING

STREAMS: MBAD Y1S2 **TIME: 3 HOURS**

DAY/DATE: THURSDAY 08/04/2021 **2.30 P.M. – 5.30 P.M.**

INSTRUCTIONS

- ***Answer all questions.***
- ***Do not write on the question paper***

Question one

(a) The unit cost of production for a firm which produces a single product is:

	Sh.
Direct materials	2.60
Direct labour	3.00
Variable overhead	0.40
Fixed overhead	1.00
	7.00

The fixed overhead calculation is based on a budgeted level of activity of 150,000 units and the budgeted manufacturing fixed overheads of sh.150000 for each quarter. The selling and administration overheads (non-manufacturing overheads) are sh100000. This selling price for product is sh.10 per unit.

The production and sales for each quarter were

	Quarter 1	Quarter 2
Production (units)	150000	170000
Sales (units)	150000	140000

There was no opening stock in quarter 1

- Prepare in columnar form absorption and marginal costing profit statement. (10 marks)
- Reconcile the profits under each quarter. (4 marks)

(b) Explain the importance of cost classification to a business. (5 marks)

(c) Distinguish between management accounting, cost accounting and financial accounting. (6 marks)

(d) Given below are the maintenance costs incurred and the machine hours employed by Kaloleni Garage (KG) in the period January-June 2014. The garage expects to engage 3500 machine hours in July and 4200 machine hours in August.

Month	J	F	M	A	M	J
No. Of hrs (000)	4	5	3	6	4	2
Maintenance sh. Cost (000)	60	90	60	100	70	50

Required:

(a) Using the high-low method, determine both the total fixed costs and the variable cost per unit and the cost-estimation equation for KG (5 marks)

(b) Use the Regression method to estimate the cost function (8 marks)

Question two

(a) Explain the usefulness of a budget in an organization (5 marks)

(b) Mamboleo Ltd. is in process of preparing its operating budget for the forthcoming period. You are provided with the following information below regarding the products:

Product	A	B
Material required:		
X (Kgs)	2	3
Y (ltrs)	1	4
Labour hours required:		
Skilled hours/unit	4	2
Semi-skilled hours/unit	2	5
Sales level in units	2,000	1,500

Opening stock (units)	100	200

Closing stock of materials and finished goods will be sufficient to meet 10% of demand. Opening stocks of materials X was 300kgs and for material Y was 1000 litres. Material process are Shs. 12 per kg of X and Shs. 5 per litre of material Y, whereas labour costs Shs. 120 per hour for skilled labour and Shs. 80 per hour of semi-skilled labour.

Required:

Prepare the following budgets:

(i) Sales budget (2 marks)

(ii) Production budget (3 marks)

(iii) Material usage budget (4 marks)

(iv) Material purchase budged (3 marks)

(v) The labour budget (3 marks)

Question three

A company manufactures a product that requires three separate processes for its completion. The output of one process is immediately input to the next process. The following information is provided in respect of process stock: 400 units valued at Sh. 12800

Degree of completion = Labour 50%

Material 80%

Overhead 50%

Transfer from process 1:6000 units at sh. 177, 200

Transfer to process 3: 5000 units

Production costs during the period were;

Direct material Sh.42,880

Direct labour Sh. 53,080

Products overheads 36,036

Closing stock: 800 units

Stage of completion, material 100%

Labour 60%

Overheads 40%

Units scrapped: 600: units

Degree of completion; material 100%

Labour 70%

Overhead 70%

There was a normal loss in the process of 10% of production. Units scrapped realized Sh. 25 each.

Prepare: using FIFO method

(a) Statement of equivalent units (5 marks)

(b) Statement of cost (5 marks)

(c) Statement of valuation (5 marks)

(d) Process 2 accounts (5 marks)

Question four

(a) Roasters Limited is a coffee-blending firm. It produces a special bled of coffee known as "Utopia Blend" by mixing two grades of coffee "AB" and "QP" as follows:

Material	standard mix ration	standard price per Kg
AB	40%	Sh 120
QP	60%	Sh 100

A standard loss of 15% is expected. During the month of March 2002, the company produced 2,500 kg of "Utopia Blend". The actual quantities blended were as follows:

	Quantity used	**Cost (Sh)**
AB	1,400kg	175,000
QP	1,600kg	152,000

Required:

Calculate price the following variance

(i) Material price variance (2 marks)

(ii) Material mix variance (5 marks)

(iii) Material yield variance (2 marks)

(iv) Material cost variance (2 marks)

(b) Delmonte E.A Ltd produces three products from which the following operating statement has been produced.

PRODUCT	X	Y	Z
Sales	32000	50000	45000
Total costs (sh.)	36000	38000	34000
Net profit/loss	(4000)	12000	11000

The total costs comprise $66\frac{2}{3}\%$ and $33\frac{1}{3}\%$ fixed.

The directors consider that as product X shows a loss, it should be discontinued.

Based on the above data should product X be dropped? (Support your answer wit appropriate computation). (6 marks)

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