

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF COMMERCE**

BCOM 314: MANAGEMENT ACCOUNTING**STREAMS: BCOM (Y3S2)****TIME: 2 HOURS****DAY/DATE: WEDNESDAY 07/07/2021****8.30 A.M. – 10.30 A.M.****INSTRUCTIONS:**

- Answer question one and any other two questions

QUESTION ONE

(a) Mafuta Ltd Manufacturers a product named “Sun”. The product undergoes three processes namely “A” “B” and “C”.

The information below relates to process “C” for the month of October 2007.

1. The opening Work-in-progress was 1400 units valued at Sh.25,100. The closing W.I.P was 2000 units. The degree of completion for both opening and closing work-in-progress was as follows:

Particular	Degree of completion (%)
Transfer in cost (material 1)	100
Added materials	80
Labour	60
Overheads	40

2. The units transferred from process “B” to process “C” were 10,600 while products processed and passed to finished goods account from process “C” were 9, 500 units.
3. Normal loss was expected at 10% of production.

4. Scrap from process "C" may be sold at sh.10 per unit. The actual units scrapped were 500. These units had undergone the following degree of completion.

Particular	Degree of completion (%)
Transfer in cost (material 1)	100
Added materials	90
Direct Labour	80
Production overhead	50

5. The 10,600 units transferred from process B were valued at Sh. 240,000.

6. Costs incurred in the current period were:	Sh
Added materials	213,300
Direct Labour	168,480
Production overhead	147,840

Required:

- (a) Equivalent units of production by element of cost. (5 marks)
- (b) Valuation of finished goods. (5 marks)
- (c) Valuation of closing work in process. (5 marks)
- (d) Abnormal gain/loss account. (5 marks)
- (e) Process II account (5 marks)
- b) Differentiate between joint and by products using relevant examples. (5 marks)

QUESTION TWO

- (a) Assume that ABC Ltd makes four components with the following information:

	W	X	Y	Z
Selling price (per unit)	16	21	10	18
Production (units)	1000	2000	4000	3000
Unit marginal costs				
Direct material	4	5	2	4
Direct labour	8	9	4	6
Variable O/H	2	3	1	2
Fixed O/H	3	3	3	3
	<u>17</u>	<u>20</u>	<u>10</u>	<u>15</u>

Assume that machine hours per unit required to produce the components are:

	Machine hours
W	4
X	5
Y	3
Z	6

The total machine hours available are 27000 hours during the budget period.

Required:

Advise the companies on the most profitable products (6 marks)

- (b) XYZ Co. Ltd has established the following standard mix of a product which has an output of a 9 liters of product a

5L of materials X @ sh.7	35
3L of material Y @ sh.5	15
2L of material Z @ sh. 2	<u>4</u>
	<u>54</u>

Standard loss of 10% is expected to occur

Actual results were as follows

53000 L of X @ sh.7	371, 000
28000 L of Y @ sh. 5.3	148,400
19000 L of Z @ sh. 2.2	41,800
<u>100,000</u>	<u>561,200</u>

Actual output was 92,700L of material A

Required

Calculate

Materials price Variance (4 marks)

Materials mix and Material yield (10 marks)

QUESTION THREE

- (a) The following information has been assembled by Sancross Products Ltd which manufacturers and retails products A and B. The details given below relate to the year commencing 1 July 2000:

	Standard	Product	
	Price per kg	A kg	kg
Direct material – M1	Sh 4	15	20
M2	Sh 5	14	12
	Standard	Product	
	Rate per hour	A hours	B hours
Direct labor – L1	Sh 8	20	15
L2	Sh 10	22	24

Fixed production overhead is applied on direct labour basis. Administration, selling and distribution expenses are recovered at the rate of 20% of production cost and profit loaded at 25% of standard production cost.

	Product	
	A	B
	Sh “000”	sh “000”
Projected sales for the year	12,033	10,053

Finished goods stock position at production cost is expected to be as follows:

	Product	
	A	B
	Sh “000”	sh “000”
1 July 2000	3,000	2,000
30 June 2001	5,000	4,000

Direct material stocks valued at standard prices are as follows:

	Material	
	M1	M2
	Sh “000”	sh “000”
1 July 2000	200	250
30 June 2001	220	270

For the year to 30 June 2001, fixed production overhead has been estimated at sh 1,800,000 and direct labour at 1,200,000 hours.

No opening or closing work-in-progress is anticipated.

Required:

- (a) Production budget in units. (8 marks)
 (b) Direct materials cost budget. (3 marks)
 (c) Purchases budget in value (6 marks)
 (d) Direct labour cost budget (3 marks)

QUESTION FOUR

Assume that ABC Ltd produces two products, product A and B and the following budget has been prepared.

	A	B	Total
Sales in units	240,000	80,000	320,000
	Sh.	Sh.	Sh.
Sales @5/=, 10/=	1,200,000	800,000	200,000
Variable cost @ 4/=, 3/=	<u>960,000</u>	<u>240,000</u>	<u>1,200,000</u>
Contribution @ 1/=, 7/=	<u>240,000</u>	<u>560,000</u>	800,000
Total fixed cost			<u>600,000</u>
Profit			<u>200,000</u>

Required:

- (a) Compute the break-even point in total and for each of the products. (10 marks)
 (b) Explain three methods of transfer pricing. (3 marks)
 (c) Discuss five non-financial measures that can be adopted to measure performance in performance appraisal. (5 marks)
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