

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
RESIT/SPECIAL EXAMINATION**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF EDUCATION
(ARTS)**

BCOM 314/BUST 311: MANAGEMENT ACCOUNTING 1

STREAMS: B.ED (ARTS) Y3S1

TIME: 2 HOURS

DAY/DATE: TUESDAY 02/11/2021

2.30 P.M – 4.30 P.M.

INSTRUCTIONS

- **ANSWER QUESTION ONE AND ANY OTHER TWO.**

QUESTION ONE

- (a) Explain five objectives of management accounting in an organization. [5 marks]
- (b) ABC company produces and sells one product “Q” whose selling price per unit is kshs.25 and variable cost per unit is kshs. 20. The total fixed costs for the period is kshs. 10,000

Required:

- (i) Determine the breakeven point in units and in shillings. [4 marks]
- (ii) How many units of products “Q” will have to be sold to earn an after tax profit of kshs 4900, assuming a corporate tax rate of 30%? [3 marks]
- c) Differentiate between the following terms as used in cost accounting
- (i) Fixed and variable cost [2 marks]
- (ii) Product cost and period cost [2 marks]
- (iii) Cost allocation and cost apportionment [2 marks]

d) The production manager of XYZ Company is concerned about the apparent fluctuation in efficiency and wants to determine how labour costs are related to production volumes.

The following data represents the first six months of 2015

Month	Units produced	Labour cost
Jan	34	340
Feb	44	346
March	24	287
April	36	262
May	30	220
June	49	416

Required:

Estimate the cost function using

- (i) High low method. [4 marks]
- (ii) Regression analysis method [8 marks]

QUESTION TWO

(a) The following information relates to a certain company XYZ for the period ending 31st Dec 2015 for a single product of Exe.

	Sh.
Selling price per unit	10
Unit variable cost	6
Fixed production cost per unit	2
Fixed non-manufacturing overheads	100
Units sold	120
Units produced	150

Required:

- (i) Prepare comparative income statements under
 - (i) Marginal costing [6 marks]
 - (ii) Absorption costing [6 marks]
- (ii) Reconcile the profits arising from the two methods. [2 marks]

b) Explain why marginal costing is preferred to absorption costing for decision making 6mks

QUESTION THREE

- a) There are four major types of standards in the context of standard costing. Briefly explain. 4MKS
- b) The material standard for one unit of product Z is 3kg at Shs.5 per kg. 14,000 kg were used at a cost of Shs.84,000 and 4,000 units were produced.

Required:

- a) material price variance [2 marks]
- b) material usage variance [2 marks]
- c) Material cost variance [2 marks]

- c) Differentiate between job costing and product costing [6 marks]
- d) Explain four assumptions of cost volume profit analysis [4 marks]

QUESTION FOUR

(a) A product passes through three production processes A, B and C. the normal wastage of each process is A, B and C is 3%, 5% and 8% respectively. Scraps of process A was sold at 25 cents per unit, that of process B at 50 cents per unit and that of process C at sh. 1 per unit. 10,000 units, were issued to process A in the beginning of October 2005 at a cost of sh 1per unit.

The other expenses incurred were as follows:

	Process A	Process B	Process C
Additional material sh)	1000	1500	500
Direct labour (sh)	5000	8000	6500
Direct expenses (sh)	1050	1188	2009
Actual output	9500 units	9100units	8100 units

There were no opening and closing stocks

Required:

- (i) Process accounts for process A, B and C [15 marks]
- (ii) Abnormal loss account [3 marks]
- (iii) Abnormal gain account [2 marks]