

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA, EMBU, THARAKA

SECOND YEAR EXAMINATION FOR THE AWARD OF DIPLOMA
IN BUSINESS MANAGEMENT AND DIPLOMA IN PROCUREMENT &
LOGISTICS MANAGEMENT

DPLM 0223: MANAGEMENT ACCOUNTING

STREAMS: DPLM

TIME: 2 HOURS

DAY/DATE: MONDAY 02/12/2019

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

- Answer question ONE and any other TWO questions
- Do not write on the question paper

QUESTION ONE

- (a) Define the following cost terminologies
- | | |
|-----------------------|-----------|
| (i) Fixed costs | [2 marks] |
| (ii) Variable costs | [2 marks] |
| (iii) Sunk costs | [2 marks] |
| (iv) Opportunity cost | [2 marks] |
| (v) Incremental cost | [2 marks] |
- (b) Explain why marginal costing is preferred in managerial decision making [5 marks]
- (c) The following information relates to Sema Limited

	Kshs per unit
Direct labour	5
Direct materials	28
Variable overheads	<u>30</u>
	<u>60</u>

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Selling price of each unit is ksh. 90. Production and sales quantities for the first and second quarters were as follows:

	1 st Quarter	2 nd Quarter
Production (units)	10,000	10,000
Sales (units)	8,000	12,000
Fixed production costs (sh)	50,000	50,000
Fixed selling costs (sh)	10,000	10,000

Required: prepare income statements for each quarter using:

- (i) Marginal costing [7 marks]
- (ii) Absorption costing [8 marks]

QUESTION TWO

- (a) Outline the assumptions underlying cost volume profit analysis [5 marks]
- (b) Assume XYZ ltd process two products A and B and the following budget was prepared

	A	B	Total
Sales (units)	120,000	40,000	160,000
Selling price per unit	Sh. 5	Sh. 10	
Variable cost per unit	Sh. 4	Sh. 3	

Total fixed cost for the period is sh. 300,000

Required:

Compute the break-even point for the whole company and for each product in shillings

[10 marks]

- (c) The following information is provided

- Standard labour cost per hour sh. 8
- Standard labour hours per unit of product 5 hours
- Actual production 220 units
- Labour hours worked 1200 hours
- Actual variance overhead cost incurred sh. 10300

Required: calculate

- (i) Variable overhead expenditure variance [2 marks]
- (ii) Variable overhead efficiency variance [2 marks]
- (iii) Total variable overhead cost variance [1 mark]

QUESTION THREE

- (a) The production manager of ABC Ltd is concerned with the apparent function in efficiency and wants to determine how labour cost in (sh) are related to volume of production. The following data presents results of the 6 most recent weeks

Week	Units produced	Labour cost
1	5	145
2	7	150
3	6	148
4	4	142
5	8	160
6	6	152

Required:

- (i) Estimate the cost function using:
- (a) High-low method [5 marks]
 - (b) Regression analysis method [10 marks]
- (ii) Estimate the labour cost when 10 units of the product are produced. Use the cost function obtained in (b) above [2 marks]
- (b) State any three causes of material price variance [3 marks]

QUESTION FOUR

- (a) Fifty units are introduced into a process at a cost of ksh. 1 each. The total additional expenditure incurred by the process is ksh.30. Of the units introduced, 10% are normally spoiled in the course of manufacture. These spoiled units possess a scrap value of ksh. 0.25 each. Owing to an accident, only 40 units are produced.

Required: prepare

- (i) Process a/c [7 marks]
- (ii) Abnormal loss a/c [3 marks]

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(b) The following information is provided for Job No. J418

Direct material cost		Ksh. 6820
Direct wages:	Department X	60 hours @ 3/= per hour
	Department Y	50 hours @ 3/= per hour
	Department Z	30 hours @ 5/= per hour

The variable overhead costs are as follows:

Department X	Sh. 5000 for 5000 hours
Department Y	Sh. 4000 for 2000 hours
Department Z	Sh. 2000 for 500 hours

The total fixed overhead costs amounted to kshs. 20,000 for 10,000 working hours

Required:

Calculate the cost of job No. J 418 and the price to give a profit of 25% on selling price

[8 marks]

(c) When is the cost variance favorable?

[2 marks]
