

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

THARAKA UNIVERSITY COLLEGE

**EXAMINATION FOR THE AWARD OF DEGREE OF
MASTERS OF BUSINESS ADMINISTRATION**

MBAD 812: MANAGERIAL ACCOUNTING

STREAMS: MBA YIS2

TIME: 3 HOURS

DAY/DATE: TUESDAY 03/12/2019

2.30 PM – 5.30 PM

INSTRUCTIONS:

- **Answer ALL Questions**
- **Do not write on the question paper**

QUESTION ONE

- (a) ABC Ltd manufactures and sells product 'M'. The standard cost of producing 1 unit of product M is as follows:

Direct labour ksh. 15
Direct material ksh. 24
Variable production overhead ksh. 6
Fixed production overhead ksh. 15
Standard selling price per unit ksh. 205

Additional information:

- Fixed production overhead is based on activity level of 12000 units per annum
- All fixed costs accrued evenly through out the year
- Annual non-production costs consist of:
Fixed costs ksh. 36000
Variable costs (15% of annual sales)
- The units produced and sold in the quarters ended 30th September 2007 and 31st December 2007 were as follows:

	Quarter ended 30 th Sept 2007	Quarter ended 31 st Dec 2007
Units produced	2000	3200
Units sold	1500	3000

Required:

- (i) Prepare profit and loss statements under marginal costing and absorption costing for each quarter. [20 marks]
 - (ii) Reconcile the marginal costing profit to absorption costing profit for each quarter [2 marks]
- (b) State any three differences between job costing and process costing. [3 marks]

QUESTION TWO

- (a) A product passes through three production process A, B and C. The normal wastage of each of the processes A, B and C is 3%, 5% and 8% respectively. Scraps of process A was sold at sh. 25 cents per unit that of process B at 50 cents per unit and that of process C at sh. 1 per unit. 10000 units of raw materials were issued to process a in the beginning of October 2005 at a cost of ksh. 1 per unit. Subsequently, the following costs were incurred.

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

There were no opening and closing stocks.

Required:

- (i) Prepare process accounts for processes A, B and C. [12 marks]
 - (ii) Prepare abnormal loss account [3 marks]
 - (iii) Prepare abnormal gain account [2 marks]
- (c) XYZ ltd produces two products and the following budget applies.

Product X	Product Y
Selling price per unit sh. 6	Sh.12
Variable cost per unit sh. 2	Sh.4
Units sold 70000	30000
Total fixed cost for the period ksh. 300,000	

Required:

Calculate the breakeven point in shillings for the company as a whole and for each product.
[8 marks]

QUESTION THREE

(a) The following data relates to a manufacturing department for a particular period

	Budgeted data (ksh)
Direct material cost	100,000
Direct labour cost	250,000
Production overhead	250,000
Direct labour hours	50000 hours

Job J415 was produced during the period and the following data relates to the production of this product.

Direct material ksh. 7000
Direct labour (800 hours) with a total cost of ksh. 4000

Required:

Calculate the total cost of Job No. J415 if production overhead cost is absorbed into products on the basis of

- (i) Percentage of prime cost [4 marks]
- (ii) Direct labour hours [4 marks]

(b) The following data relates to company XYZ ltd for the month of June 2019.

Budgeted hours for the month 180 hours
Budgeted production for the month 9000 units
Budgeted fixed overhead cost for the month sh. 27000
Actual production for the month 9200 units
Actual hours of production 165 hours
Actual fixed overhead costs incurred ksh. 28000

Required:

Calculate fixed overhead cost variances. [10 marks]

(c) Differentiate between the following cost concepts

- (i) Relevant range and cost driver [3 marks]
- (ii) Marginal cost and incremental cost [2 marks]
- (iii) Product cost and period cost [2 marks]

QUESTION FOUR

(a) ABC Ltd manufactures and sells two products A and B. The following data relates to the two products.

(i) Sales product

Product	Quantity	Selling price per unit (sh)
A	1000	100
B	2000	120

(ii) Material used in the company's products are:

Material 1 ksh. 4 per unit

Material 2 ksh. 6 per unit

(iii) Quantities of material used in the products

Product	Material 1 (units)	Material 2 (units)
A	4	2
B	3	3

(iv) Finished goods stock (units)

Product	A	B
Opening stock (units)	1000	1500
Closing stock (units)	1100	1650

(v) Material stock (units)

Material	Material 1	Material 2
Opening stock (units)	26000	20000
Closing stock	31200	24000

Required: Prepare the following budgets:

(i) Sales budget in units [3 marks]

(ii) Production budget in units [3 marks]

(iii) Material usage budget in units and in shillings [3 marks]

(iv) Material purchases budget in units and in shillings [4 marks]

(b) The following data relates to the half year ending 31 December 2013 for company XYZ Ltd.

Month	Machine hours	Fuel expenses Sh '000'
July	34	640
August	30	620
September	34	620

October	39	590
November	42	500
December	32	530

Required:

- (i) Estimate the cost function using regression analysis method. [7 marks]
 - (ii) Evaluate the cost function obtained in (i) above. [3 marks]
 - (c) Explain any three importance of standard costing in an organization. [3 marks]
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