

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EMBU CAMPUS

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

BUST 421: MANAGEMENT ACCOUNTING II

STREAMS: BED (ARTS) (SB)

TIME: 2 HOURS

DAY/DATE:

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO

QUESTION ONE

- (a) Explain the need for a cost and management accounting system in an organization. [6marks]
- (b) Explain the importance of budgeting to an organization. [6marks]
- (c) Explain the following terms and give examples
- (i) Sunk cost [3 marks]
 - (ii) Period cost [3 marks]
 - (iii) Process cost [3 marks]
 - (iv) Fixed cost [3 marks]
- (d) Explain how management accounting is different from financial accounting. [6 marks]

QUESTION TWO

- (a) Costs can broadly be classified as either manufacturing or non-manufacturing costs. Using appropriate components of these costs explain this classification. [10 marks]
- (b) Explain the role of management accounting in decision making for individuals and business. [10 marks]

QUESTION THREE

- (a) A product passes through three production processes A, B and C. The normal wastage of each process in A, B and C is 3%, 5% and 8% respectively.

The wastage of the processes represents scrap which can be sold for sh. 0.2 shs. 0.50 and shs 1 for process A, B and C respectively. 10,000 units were issued to process A in the beginning of November 2016 at a cost of ksh.1 per unit.

During the month, the following expenses were incurred:

	Process A	Process B	Process C
Additional material	1000	1500	500
Direct labour	5000	8000	6500
Direct expenses	1050	1188	2009

The output of the processes were

Process A	9500
Process B	9100
PROCESS C	8100

Required:

- | | |
|--------------------------------|-----------|
| Process accounts for Process A | [5 marks] |
| Process B | [5 marks] |
| Process C | [5 marks] |
| (i) Abnormal gain account | [2 marks] |
| (ii) Abnormal loss account | [2 marks] |
| (iii) Finished goods account | [1 mark] |

QUESTION FOUR

- (a) Kenya ltd manufactures three products X, Y and Z. The following information relates to the products

Sales forecast	Quantity	Price/unit
Product X	1000	Sh100
Y	2000	Sh120
Z	1500	Sh140

Materials used in the company products are

Material S1 sh. 4 per unit

Material S2 sh. 6 per unit

Material S3 sh. 9 per unit

Quantities used in product

	S1	S2	S3
X	4	2	-
Y	3	3	2
Z	2	1	1

Finished stock	X	Y	Z
Opening stock	1000	1500	500
Closing stock	1100	1650	550

	S1	S2	S3
Material stocks opening stock	26000	20000	12000
Closing stock	31200	24000	14400

Required:

- (i) Sales budget in quantity and value [3 marks]
 - (ii) Production budget [5 marks]
 - (iii) Material usage budget [5 marks]
 - (iv) Material purchase budget [5 marks]
- (b) Explain flexible budgets. [2 marks]
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