CHUKA   **UNIVERSITY**

UNIVERSITY EXAMINATIONS

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

BUST 311: MANAGEMENT ACCOUNTING 1

STREAMS:BED (ARTS) Y3S1   **TIME: 2 HOURS**

DAY/DATE: MONDAY 4/12/2017   **2.30 P. M – 4.30 P.M**

INSTRUCTIONS:
- **Answer question one and any other two questions**
- **Do not write on the question paper**

1.   (a) Explain the importance of standard costing in an organization.   [6marks]

(b) Company XYZ ltd produces product X while company YZM ltd produces product Y.

The following data applies.

	Product X	Product Y
Selling price per unit (ksh)	8	12
Variable production cost per unit	2	4
Variable selling cost per unit	2	3
Total fixed cost p.a (ksh)	200,000	300,000

Required :

(i)   Determine the break even point in shillings for each company.   [4marks]
(ii)   Assuming each company is in a 30% tax bracket, how many units will each company sale to earn a target income of ksh 50,000.   [4marks]

(c) State any four assumptions of break even point analysis.   [4marks]

(d) ABC company ltd had the following transactions during the first week of march 2008.

Date	Quantity	Unit cost (ksh)	Unit selling price
Opening balance 1/3/2008	10	2	
Receipts 2/3/2008	70	2.2	
Issued 3/3/2008	40		4.0
Receipts 4/3/2008	50	2.3	
Issued 5/3/2008	70		3.5

Required : prepare stores ledger and using

(i)   LIFO method   [3marks]

(ii)   Wighted average method   [3marks]

(iii)   Prepare a trading account using LIFO method.   [4marks]

(e) Differentiate between cost unit and unit cost.   [2marks]

2.   (a) The following information relates to job no. J505

Direct material   ksh 6820

Direct labour : department X 60 hrs @ 3/- per hour

                              Y 50 hrs @ 3/- per hour

                              Z 30 hrs @ 5/- per hour

The variable overheads are as follows:

Department X ksh 5000 for 5000 hours

              Y ksh 4000 for 2000 hours

              Z ksh 2000 for 500 hours

Total fixed expenses amounted to ksh 20,000 for 10,000 working hours.

Required:

Calculate the cost of Job No. J505 and the price that gives a profit of 25% on selling price.   [8marks]

(b) Differentiate between Job observed in a University for the last 5 years.

Year	No. of students	Total maintenance costs ksh '000'
2000	180	3200
2001	200	3600
2002	400	7000
2003	300	3530
2004	320	3820

Required :

Estimate the cost function using ;

(i)   High low method.   [2marks]

(ii)   Regression analysis method.   [6marks]

3.   (a) state any three causes of direct labour rate variance.   [3marks]

(b) Explain the following types of standards.

(i) Basic standards.   [2marks]

(ii) Current standards.   [2marks]

(c) It is estimated that a product requires 50 units of material x at a standard price of ksh 3 per unit . The actual consumption of material X for manufacturing a certain number of products came to 60 units at a cost of ksh 2.9 per unit.

Required:

Calculate the material cost variances.   [6marks]

(d) Differentiate between the following .

(i) Product cost and period cost.   [2marks]

(ii) Marginal cost and incremental costs.   [2marks]

(iii)   Committed costs and discretionary costs.   [3marks]

4.   (a) The following information has been extracted from the books of Ramogil ltd for the year ended 31st March 2000.

	Units '000'
Production	30
Sales	24
Production cost incurred:	Ksh '000'
Direct material	7,200
Direct labour	1,800
Variable overheads	1,500
Fixed overheads	2,700
Selling & administration costs	
Sales men salaries (fixed)	450
Variable sales commission	300
Promotional and advertising (fixed)	480
Other fixed costs	720

The company's unit selling price is 550.

Required:

(i)   Profit and loss statement under marginal costing.   [6marks]
(ii)   Profit and loss statement under absorption costing.   [6marks]
(iii) Reconcile marginal costing income and absorption costing income.

[2marks]

(b) Fifty units were introduced into a process at a cost of ksh incurred by the process was ksh 30 of the units introduced ,10% are normally spoiled in the course of manufacture. These possess a scrap value of ksh 0.25 each. Owing to an accident only 40 units were produced.

Required :

(i)   Process account   [4marks]
(ii)   Abnormal loss account.   [2marks]