

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS
RESIT/SPECIAL EXAMINATION**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF EDUCATION****BUST 421: MANAGAMENT ACCOUNTING II****STREAMS:****TIME: 2 HOURS****DAY/DATE: WEDNESDAY 12/09/2018****2.30 P.M. – 4.30 P.M.**

1. (a) Distinguish between by product and joint-product as used in process costing. (5 marks)

(b) Gitoro manufacturing company, manufactures a single product that is processed sequentially in three departments I, II and III. The following information is obtained in respect of process in department II for the month of March 2015. Opening work in process was 2,600 units valued at ksh 6,500. Degree of completion:

	Ks
	h
Materials	60
	%
Labour	50
	%
Overheads	40
	%

Transfer from department I during the month was 13,000 units valued at ksh 19,500. Units transferred to department III were 10,600.

Direct materials added in department II amounted to ksh 15,900.

Direct labour amounted to ksh 13,100.

Overheads amounted to ksh 17,500.

Work in progress at 30th March 2015 was 1,500 units, which had the following degree of completion:

	Ksh
Materials	70%
Labour	50%
Oveheads	40%

Normal loss was 10% of production and the scrapped realized ksh 2 per unit.

Required:

(i) A statement of production, cost and equivalent units showing:

- (a) Equivalent units of production by element of cost. (5 marks)
- (b) Valuation of finished goods. (5 marks)
- (c) Valuation of closing work in progress. (5 marks)
- (d) Abnormal gain/loss in units. (5 marks)
- (ii) Process II account. (5 marks)

2. Njoto limited has been manufacturing and selling three products in Nakuru. The market demand for the products on average has been as follows:

Product	Annual demand(Units)
Coolo	20,000
Besto	25,000
Zedo	48,000

The manufacture of the products requires time on a machine as follows:

Product	Required time (minutes)
Coolo	30
Besto	45
Zedo	20

The following details are available for each of the products:

	Coolo	Besto	Zedo
	Ksh	ksh	ksh
Direct materials	15	12	14
Variable labour	25	20	23
Variable verheads	5	3	6
Fiixed overheads	7	5	8
Profit per unit	8	8	8
Selling price	60	48	59

Due to the prevailing drought and power rationing, the company can only manage to get a maximum of 30,000 hours on machine per year.

Required:

- (a) Rank the products in order of priority if there is a limitation of the machine hours. (10 marks)
- (b) Advise the management on the most profitable product mix. (5 marks)
- (c) Determine the resultant net profits from the mix in (b) above. (5 marks)

Question three

- a) Explain the importance of management accounting to any organization (8 marks)
- b) Explain the classification of costs as follows
 - Fixed and Variable costs (4 marks)
 - Relevant and irrelevant costs (4 marks)
 - Sunk costs and controllable costs (4 marks)

Question four

- a) Explain the importance, advantages and disadvantages of budgeting and budgetary control.

(10 marks)

(b) The following data was extracted from the books of Midday Limited for the month of July 2015.

Cost (Ksh)	Activity (units)
63,000	5,000
69,000	6,000
87,000	8,000
79,000	8,000
95,000	10,000
101,000	11,000

Required:

- (i) Estimate a cost function using the regression method.
(7marks)
 - (ii) Calculate the total cost when output is 15,000 units.
(3marks)
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