

**CHUKA**



**UNIVERSITY**

---

**UNIVERSITY EXAMINATIONS**

**EMBU CAMPUS**

**EXAMINATION FOR THE AWARD OF DEGREE OF  
BACHELOR OF EDUCATION ARTS**

**BUST 421: MANAGEMENT ACCOUNTING II**

**STREAMS: BED (ARTS) S.B**

**TIME: 2 HOURS**

**DAY/DATE: THURSDAY 09/08/2018**

**8.30 AM – 10.30 AM**

---

**INSTRUCTIONS:**

**Answer Question One and any other Two**

**Question One**

(a) Explain the need for a cost and management accounting system in an organization. [8 marks]

(b) Explain the role of budgeting to any organization. [6 marks]

(c) Explain the difference between job costing and process costing. [6 marks]

(d) The following information relates to job P10 of XYZ ltd

Direct materials                      87000

Direct labour    Dept A (150 hrs) @ 12sh per hour  
                         Dept B (40 hrs) @ sh 15 per hour  
                         Dept C (60 hrs) @ sh 20 per hour  
                         Dept D 100 hrs @ sh 10 per hour

Selling and administration overheads are charged at 10% of total production costs while the profit mark up is 25% of total costs. The budgeted variable overhead for the year are given below.

Dept	Overhead	Absorption base
A	150,000	1500 hrs
B	200,000	2500hrs
C	120,000	20,000 hrs
D	300,000	30,000 hrs

Required:

The selling price of the Job Plo.

[10 marks]

**Question Two**

Chandu cables company ltd makes a chemical that passes through three production processes 1,2 and 3. In the month of August 2010, 6000 litres of the basic raw materials priced at shs 240,000 were introduced into process 1 subsequently the following costs were incurred.

Element of cost	Process 1	2	3
Direct material	30,000	40,000	17,500
Direct labour	40,000	50,000	20,000
Direct expenses	6,000	1,600	9,300

Normal loss per process was estimated as

Process 1	10%
Process 2	5%
Process 3	8%

Output of each process was

Process 1	5300
Process 2	5000
Process 3	4700

The loss in each process represented scrap which could be sold at the following values

Process 1	shs 20 per unit
Process 2	shs 44 per unit
Process 3	shs 65 per unit

Production overhead is absorbed by each process on the basis of 50% of the cost of direct labour  
The output of each process passes directly to the next process and finally to finished stock.

Required:

(i) Process I account

[5 marks]

- (ii) Process II account [5 marks]
- (iii) Process III account [5 marks]
- (iv) Abnormal loss account [2 marks]
- (v) Abnormal gain account [2 marks]
- (vi) Finished goods stock account [1 mark]

**Question Three**

- (a) A division of life chemicals ltd is engaged in the production of two products A and B. these products are sold to external customers. Information regarding products, costs and sales levels as follows

Product	A	B
Materials required		
X (kg)	2	3
Y (litres)	1	4
Labour (hours)		
Skilled	4	2
Semi skilled	2	5
Sales (units)	2000	1500
Opening stocks (units)	100	200

Closing stocks of materials and finished goods will be sufficient to meet 10% of sales demand. Opening stocks of material X was 300kg and for material Y was 1000 litres. Materials prices are sh. 10 per kg for material X and sh 7 per litre for material Y. labour costs are sh. 12 per hour for skilled workers and sh. 8 per hour for semi skilled workers.

Required:

- (i) Production budget [4 marks]
  - (ii) Material purchases budget (in kg and litres) [4 marks]
  - (iii) Material purchases budgeted (in kg, litres ksh) [4 marks]
  - (iv) Labour budget (hours and sh) [3 marks]
- (b) Differentiate between
- (i) Scrap and waste [2 marks]

(ii) Normal and abnormal loss

[2 marks]

**Question Four**

(i) The following transactions relate to item Alol stocked by excel products ltd for the month of Sept 2016.

Opening stock 3000 units valued at sh. 20 each

**Receipts**

Date	Quantity	Unit cost
3	2500	18
10	2700	21
17	3100	22
19	2800	21
25	2750	22
27	3200	23
30	3250	24

**Issues**

Date	quantity
6	3300
16	2800
23	2250
26	3950
28	2600
30	6950

Required:

(i) Prepare a stores issue inventory record for item Alol using LIFO system.

[14 marks]

(ii) Explain the following

(a) Fixed cost

[2 marks]

(b) Step fixed cost

[2 marks]

(c) Mixed cost

[2 marks]