

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
CHUKA /THARAKA**

EXAMINATION FOR THE AWARD OF MASTER IN BUSINESS ADMINISTRATION

MBAD 812: MANAGERIAL ACCOUNTING

STREAM: MBAD Y1S2

TIME: 2 HOURS

DAY/DATE: FRIDAY 10/08/2018

2.30 P.M – 4.30 P.M

INSTRUCTION:

- **Answer all questions.**

1. (a) Describe the different function of management accounting system. [6marks]
 (b) A division of lube chemicals ltd is engaged in the production of two products A and B. These products are sold to external customers information products, costs and sales level is 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 stock (units)	100	200

Closing stocks of materials and finished goods will be sufficient to meet 10% of demanded sales.

Opening stock of material x was 300kg for material y was 1000 litres.

Material prices are ksh 10 per kg for material x and ksh 7 per litre for material Y

Labour costs are ksh 12 per hour for skilled workers and ksh 8 per hour for semi skilled workers.

The selling price for products A and B is ksh 100 and ksh 150 respectively.

Required :

- (i) Sales budget (in units and ksh) [3marks]
 - (ii) Product budget (in units) [3marks]
 - (iii) Material usage (in kgs and litres) [4marks]
 - (iv) Material purchase budget (kg, litre, ksh) [4marks]
 - (v) Labour cost budget (hrs and ksh) [3marks]
- (c) Outline four assumptions of CVP analysis. [4marks]

(d) A company has prepaid a schedule of estimated costs for the coming year . The schedule was prepared on assumption that production would amount to 800,000 units . Cost have been classified as either fixed or variable according to the judgment of the financial controller.

Item	Total cost ksh ‘000’
Direct materials	37,500
Indirect labour (171,000 fixed)	194,200
Rent (fixed)	236,420
Electricity (30% fixed)	27120
Equipment depreciation (fixed)	181,000
Equipment maintenance (8500 fixed)	24,330
Peoperty taxes (ksh 6350 fixed)	14100
Data processing (ksh 9470 fixed)	11220
Technical support (fixed)	16940

- (i) Determine the cost estimation equation using account analysis method. [6marks]
- (ii) Explain engineering method of cost estimation. [2marks]

(e) Assume ABC ltd produces two products A and B and the following budget has been prepared.

	A	B	Total
Sales in units	120,000	40,000	160,000
Selling price per unit	Ksh 5	Ksh 10	
Variable cost per unit	Ksh 4	Ksh 3	

Total fixed for the period is 300,000

Required :

- (i) Compute the break- even point for the whole company and for each product in units and ksh . [6marks]

2. (a) V ltd manufactures a single product the standard mix of which are as follows.

Materials A 60% at ksh 20 per kg

Materials B 40% at ksh per kg

Normal loss in the production is 20% of inputs

Due to shortage of material A, the standard mix was changed and the actual mix was as follows.

Material A 105 kg at ksh 20 per kg

Material B 95 at ksh 9 per kg

Actual loss was 35kg while the actual output was 165 kg

Required :

- (i) Material price variance [3marks]
(ii) Material usage variance [4marks]
(iii) Material mix variance [4marks]
(iv) Material yield variance [4marks]
(v) Material cost variance [2marks]

- (b) Explain the need for standard costing and variance analysis. [4marks]

3. (a) Explain why marginal costing is preferred for decision making as opposed to absorption costing. [5marks]

- (b) XYZ manufacturing has the following information relating to product Y

Selling price ksh 50 per unit

Cost card

Direct material ksh 14 per unit

Direct wages ksh 16 per unit

Material 100%

Labour 70%

Overhead 70%

- (viii) 7900 units were completed and transferred to the next process.
- (ix) Normal loss is 8% of the total input (opening stock plus in put units)
- (x) Scrap value is ksh 4 per unit.

Required :

- (i) Statement of equivalent production [4marks]
 - (ii) Statement of lost per equivalent unit [3marks]
 - (iii) Statement of evaluation. [8marks]
 - (iv) Prepare process I account. [5marks]
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