CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA, EMBU AND IGEMBE CAMPUSES

EXAMINATION FOR THE AWARD OF DIPLOMA IN BUSINESS MANAGEMENT AND DIPLOMA IN PROCUREMENT

DIAC 0226: MANAGEMENT ACCOUNTING

STREAMS: DIBM, DPLM Y2S2 **TIME: 2 HOURS**

DAY/DATE: TUESDAY 07/08/2018 **2.30 P.M. – 4.30 P.M.**

INSTRUCTIONS:

- **Answer questions ONE and any other TWO.**

QUESTION ONE

(a) Differentiate between the following terminologies as used in management accounting using relevant examples

(i) Relevant cost and Irrelevant cost (3 marks)

(ii) Cost centre and cost unit (3 marks)

(iii) Semi-fixed and semi-variable costs (3 marks)

(iv) Period cost and product cost. (3 marks)

(b) The information given below relates to Wasp Ltd which manufactures a single type of chemical. Overhead processing cost for the last eight accounting months have been as follows:

Period	Overhead cost Sh “000”	Output Tonnes “000”
1	770	120
2	820	150
3	810	160
4	830	170
5	960	200
6	900	170
7	940	200
8	950	200

Required:

Using regression analysis and high-low method, devise a formula to assist in predicting the overhead budget for the eight months. (10 marks)

(c) State any two assumptions of CVP analysis. (2 marks)

(d) Marvels company sells branded pens at Ksh. 30 per unit. The variable cost per Pen is Ksh. 20 and fixed costs amount to Ksh. 7,500 per month.

(i) How many pens should the company sell to break-even both in units and in shillings? (3marks)

(ii) How many pens should the company sell so as to make a before tax profit of Ksh. 5,000? (3 marks)

QUESTION TWO

A product passes through three production processes A.B and C. The normal wastage of each process A, B and C is 3%, 5% and 8% respectively. Scraps of process A was sold at 25 cents per unit, that of process B at 50 cents per unit and that of process C at Sh. 1 per unit.

10,000 units were issued to process A in the beginning of October 2005 at cost of Sh. 1 per unit. The other expenses incurred were as follows:

	Process A	Process B	Process C
Additional materials (Sh)	1000	1500	500
Direct labour (Sh)	5000	8000	6500
Direct expenses (Sh)	1050	1188	2009
Actual output	9500 units	9100 units	8100 units

There were no opening and closing stocks

Required:

(i) Process accounts for process A, B and C (15 marks)
(ii) Abnormal loss account (2 marks)
(iii) Abnormal gain account (1 mark)

QUESTION THREE

(a) ABC Ltd has the following information relating to product Z.

	Sh.
Selling price	25 per unit

Cost card

Direct materials	7
Direct wages	8
Variable production overheads	5
	20

There is a variable selling cost per unit of Sh. 0.5
The following information relates to the company

Normal (Budgeted production)	12,000 units
Actual production	14,000 units
Actual sales	13,000 units

Budgeted/actual overheads:

Fixed production overheads Sh. 11,000
Actual fixed selling overheads Sh. 50,000

There was no opening inventory at the beginning of the year and all variable costs were as per the budget for the year

Required prepare profit and loss statements under:

(i) Marginal costing method. (7 marks)
(ii) Absorption costing method. (7 marks)

(b) Differentiate between process costing and job costing. (6 marks)

QUESTION FOUR

(a) The following information relates to item P 003 stocked by 2,000 products Ltd for the month of April 2015.

The opening stock was 1,000 units valued at 20/= per unit

Date	Receipts Units	Issues Units	Unit costs (sh)
April 3	2,400		18
4		3,200	
6	2,600		20

12		2,700	
14	3,000		22
18	2,800		21
20		2,200	
22	2,600		23
25		3,800	
26	3,100		24
27	2,500		25
28	3,200		26
29		6,900	

The selling price is Sh. 30 per unit.

Required:

(a) Stores perpetual inventory record for item P 003 for 2015 under LIFO system of stores issues. (14 marks)

(b) Explain the causes of

(i) Material price variances (3 marks)
(ii) Labour cost variances (3marks)
