

CHUKA**UNIVERSITY****RESIT/ SPECIAL EXAMINATIONS****EXAMINATION FOR THE AWARD OF
DIPLOMA IN BUSINESS MANAGEMENT****DIAC 0226: MANAGEMENT ACCOUNTING****STREAMS: DIBM****TIME: 2 HOURS****DAY/DATE: MONDAY 23/07/2018****2.30 PM – 4.30 PM****INSTRUCTIONS:****Answer Question One and any other Two Questions****Question One**

(a) Differentiate between the following terminologies as used in management accounting.

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|-------|-------------------------------------|-----------|
| (i) | Relevant cost and irrelevant costs. | [3 marks] |
| (ii) | Cost object and cost unit | [3 marks] |
| (iii) | Fixed cost and variable cost | [3 marks] |
| (iv) | Period costs and product costs | [3 marks] |

(b) The following data is provided for product X

	Fc
Selling price per unit	24
Variable cost per unit	8
Total fixed costs	400,000

Required:

Calculate the breakeven point in units and in shillings. [6 marks]

(c) Explain any four purpose of management accounting in an organization. [4 marks]

(d) The following information relates to a certain company ABC for the period ending 31st Dec 2016 for product 'P'.

	Sh.
Selling price per unit	20
Variable cost per unit	12
Fixed production cost per unit	4
Fixed non- manufacturing overheads	200
Units sold	240
Units produced	300

Required:

Prepare comparative income statement under:

- (i) Marginal costing method [4 marks]
(ii) Absorption costing method. [4 marks]

Question Two

The production manager of Tamaa company, is concerned about apparent fluctuation in efficiency and wants to determine how labour cost (in shillings) are related to volume of production. The following data presents results of the 12 most recent weeks.

Week No	Units produced (X)	Labour costs (Y)
1	34	340
2	44	346
3	24	287
4	36	262
5	30	220
6	49	416
7	39	337
8	21	180
9	41	376
10	47	295
11	34	215
12	24	275

Required:

- (a) Estimate ten cost function using:
(i) High – low method [4 marks]
(ii) Regression analysis method [14 marks]
- (b) Estimate the labour cost when 45 units are produced [2 marks]

Question Three

- (a) State five assumptions that underlie the cost volume profit analysis. [5 marks]
- (b) Determine between sales budget and production budget as used in budget and budgetary country. [4 marks]
- (c) ABC company Ltd had the following transactions during the first week of march 2015.

Date	Quantity	Unit cost (sh)	Unit selling price
Opening balance 1/3/15	10	2.0	
Receipts 2/3/15	70	2.2	
Issued 3/3/15	40		4.0
Receipts 4/3/15	50	2.3	
Issued 5/3/15	70		3.5

Required:

Prepare stores ledger using:

- (i) LIFO method [6 marks]
- (ii) FIFO method [5 marks]

Question Four

- (a) Edward and Sons Ltd, manufactures a product which undergoes two district processes. On completion it is passed to finished goods stock account. The following information was obtained.

3000 units of raw materials at sh. 30 were issued to process 1. The costs incurred are given below:

	Process 1	Process 2	Total
Direct material	5,000	12,000	17,000
Direct labour	25,000	35,000	60,000
Direct expenses	5,200	2,800	8,000
Production overheads	4,500	6,200	10,700

There was no stock of raw materials or work-in-progress at the beginning and end of the period.

Required:

Prepare the process accounts for:

- (i) Process I [5 marks]
- (ii) Process 2 [5 marks]

- (b) R Ltd manufactures 3 products A,B and C. the following information relates to the three products.

Sales forecast

Product	Quantity	Price per unit (sh.)
A	1,00	100
B	2,000	120
C	1,500	140

Required:

- (i) Prepare sales budget in quantity and value (sh). [4 marks]
- (c) Explain any 3 features of management accounting. [6 marks]
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