

**CHUKA**



**UNIVERSITY**

**RESIT/ SPECIAL EXAMINATIONS  
EXAMINATION FOR THE AWARD OF  
DIPLOMA IN BUSINESS MANAGEMENT AND DIPLOMA IN ACCOUNTING**

**DIAC 0226/DIBM 0223: MANAGEMENT ACCOUNTING**

**STREAMS: DIBM/DIAC**

**TIME: 2 HOURS**

**DAY/DATE: WEDNESDAY 12/09/2018**

**8.30 AM – 10.30 AM**

**INSTRUCTIONS:**

**QUESTION 1:**

(a) Explain the following terms as used in accounting:

- (i) Fixed cost and Variable cost [4 marks]
- (ii) Semi variable and semi fixed cost [4 marks]

(b) Briefly differentiate process costing from job costing [6 marks]

(c) The total costs and output volumes of a manufacturing company in the first six months of the year have been as follows:

Month	Output '000'	Total costs '000'
January	5	145
February	7	150
March	6	148
April	4	142
May	8	160
June	6	152

Required:

- (i) Estimate the cost function using regression analysis (least squares). [10 marks]
- (ii) If output hits 8500 units calculate the expected costs. [2 mark]

- (iii) Calculate the cost equation using High-low method. [4 marks]

**Question Two**

- (a) Kilio Ltd produces a single product. During the year ended 31 October 2007 the firm produced 3,000,000 units but sold only 2,400,000 units. The data below relates to the production.

‘000’

Raw material	12,000
Direct labour	7,500
Direct expenses	1,500
Factory overhead	10,000

Selling and distribution overhead Shs.4,000,000

The product is sold at Shs.20 per unit. It is estimated that 40% of the selling and distribution overheads and factory overhead are fixed. There was no opening stock.

Required:

Trading, profit and loss statement using

- Absorption costing [7 marks]
  - Marginal costing [7 marks]
- (b) Explain three reasons why marginal costing is preferred to absorption costing [6 marks]

**Question three**

- (a) Explain five objectives of management accounting in an organization. [5 marks]
- (b) ABC company produces and sells one product “Q” whose selling price per unit is kshs.25 and variable cost per unit is kshs. 20. The total fixed costs for the period is kshs.

10,000

Required:

- (i) Determine the breakeven point in units and in shillings. [6 marks]

How many units of products “Q” will have to be sold to earn an after tax profit of kshs 4900, assuming a corporate tax rate of 30%? [3 marks]

- C) Explain the assumptions of CVP or BEP Analysis [6 marks]

**Question four**

- (a) Briefly explain the meaning of classification of costs and list the various ways in which costs may be classified. [7 marks]
- (b) Explain the importance of budgeting and budgeting control. [4 marks]
- (c) Distinguish between budgetary control and standard costing. [3 marks]
- (d) The material standard for one unit of product Z is 3kg at Shs.5 per kg. 14,000 kg were used at a cost of Shs.84,000 and 4,000 units were produced.

Required:

Calculate the material cost variances.

[6 marks]

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