

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

### EXAMINATION FOR THE AWARD OF DIPLOMA IN PROCUREMENT AND LOGISTICS MANAGEMENT

**DIAC 0226: MANAGEMENT ACCOUNTING**

**STREAMS:**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 17/04/2018**

**11.30 A.M – 1.30 P.M**

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**INSTRUCTION:**

- **Answer question one and any other two questions**
- **Do not write on the question paper**

1. (a) Management accounting provides information required for management purposes. In line to this statement explain the purpose and objectives of management accounting.

[12marks]

(b) The following data was provided by cost accounting department of wakereketwa manufacturing company for the month of January 2018.

- Opening stock as at 1 <sup>st</sup> /12/2018	ksh
-Raw materials	80,000
- Work in progress	100,000
- Finished stocks	120,000
- Closing stocks as at 31 <sup>st</sup> /1/2018	
- Raw materials	70,000
- Work in progress	110,000
- Finished stocks	100,000

- Other information's for the month include:

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- Purchase raw materials	408,000
- Direct labour	200,000
- Direct expenses	140,000
- Return outwards	8,000
- Factory rent	20,000
- Factory manager salary	60,000
- Office depreciation	10,000
- Office salaries	130,000
- Selling and distribution costs	90,000

- All factory, office and selling expenses are fixed cost for each period.

- The management had fixed the profits to be 20% of total cost of goods sold.

- Assuming the units sold were 10,000 units the board of management needs to make the decision of fixing the selling price and provide full necessary data for more decision making. For that purpose:

Required to prepare a cost sheet statement showing;

(i) Prime cost	[2marks]
(ii) Works cost	[2marks]
(iii) Cost of finished goods	[2marks]
(iv) Total cost	[2marks]
(v) Profit and selling price.	[4marks]

(c) With the help of diagram explain the fundamental features of a break even chart, showing major areas of interest for decision –making in the manufacturing industry. [6marks]

2. (a) Gesima power mills ltd manufactures a certain product through its two production departments and two service departments namely A,B,C as production and X,Z as service departments.

The following are the cost of the overheads for the month of March 2018.

	Ksh
Works manager salary	4,000

Power for machine drive	21,000
Contribution to retirement	9,000
Plant maintenance	4,000
Depreciation of plant & machinery	20,000
Canteen expenses	12,000
Rent paid	6,000

Further information provided from the various departments are as follows:

Particulars	Production dept		Service dept	
	A	B	X	Y
Number of employees	16	8	4	4
Area occupies (SQ.ft)	2000	3,000	500	500
Value of plant (ksh)	75,000	100,000	25,000	-
Wages (ksh)	40,000	20,000	10,000	5,000
Machines horse power ratio	3	3	1	-

Required to apportion the overheads (costs) to various departments using the most appropriate basis and ascertain the total overheads of each department. [20marks]

3. (a) Chuka manufacturing company ltd produces cooking equipment that it sales in the market . The following information is provided in the relation to the month of February 2018.

Sales ksh 1,300,000

Units sold 10,000

Fixed cost ksh 400,000

Variable costs

- Materials ksh 300,000

- Labour ksh 300,000

- Overheads ksh 200,000

**Required :**

- (i) Contribution of the firm [4marks]  
 (ii) Profit volume ratio (PVR) [4marks]

- (iii) Break even point (BEP) [3marks]
  - (iv) Management decision for the month of may 2018 desires to earn a profit of ksh 250,000. Find the units to be sold. [5marks]
  - (v) Compute the projected margin of safety for the month of may. [5marks]
4. (a) Explain the advantages of standard costing usage. [8marks]
- (b) Mikinduri industries manufactures fertilizer for sale in Kenya it mixes two types of materials namely x and y as a detailed below.

Standards			Actual		
Materials	Units (kg)	Cost/unit (Ksh)	material	Units (kg)	Cost/unit (ksh)
	100	150	X	97	148
	<u>120</u>	100	Y	<u>122</u>	100
Total	<u>220</u>			<u>219</u>	
Labour	176 hrs	200	Labour	170	210

**Required :**

- (i) Material cost variance (mcv) [3marks]
  - (ii) Material price variance (mpv) [3marks]
  - (iii) Material usage variance (muv) [3marks]
  - (iv) Labour cost variance (lcv) [3marks]
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