

CHUKA



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SPECIAL/RESIT

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

DPLM 0223/DIAC 0226: MANAGEMENT ACCOUNTING

STREAMS: DPLM, DIBM DIAC

TIME: 2 HOURS

DAY/DATE: MONDAY 16/11/2020

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

QUESTION ONE

- (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. [4 marks]
- (ii) 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) Differentiate between the following terms as used in cost accounting
- (i) Fixed and variable cost [2 marks]

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(ii) Product cost and period cost [2 marks]

(iii) Cost allocation and cost apportionment [2 marks]

d) The production manager of XYZ Company is concerned about the apparent fluctuation in efficiency and wants to determine how labour costs are related to production volumes.

The following data represents the first six months of 2015

Month	Units produced	Labour cost
Jan	34	340
Feb	44	346
March	24	287
April	36	262
May	30	220
June	49	416

Required:

Estimate the cost function using

(i) High low method. [4 marks]

(ii) Regression analysis method [8 marks]

QUESTION TWO

(a) The following information was extracted from the books of Aida ltd regarding their stocks

1st Jan the opening stocks was 400 units @ 50 shs each

2/1/2015 received 350 units @ sh. 52

5/1/2015 received 600 units @ sh. 64

10/1/2015 received 450 units @ sh. 60

17/1/2015 received 720 units @ sh. 65

25/1/2015 received 300 units @ sh. 69

Issues

3/1/2015 issued 450 units

7/1/2015 issued 570 units

13/1/2015 issued 320 units

19/1/2015 issued 200 units

27/1/2015 issued 500 units

Required:

Prepare a stores ledger card using FIFO method (First in First Out). [10 marks]

- (b) The following information relates to a certain company XYZ for the period ending 31st Dec 2015 for a single product of Exe.

	Sh.
Selling price per unit	10
Unit variable cost	6
Fixed production cost per unit	2
Fixed non-manufacturing overheads	100
Units sold	120
Units produced	150

Required:

- (i) Prepare comparative income statements under (a) Marginal costing [4 marks]
(b) Absorption costing [4 marks]
- (ii) Reconcile the profits arising from the two methods. [2 marks]

QUESTION THREE

- a) There are four major types of standards in the context of standard costing. Briefly explain. [4 marks]
- b) 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:

- (i) material price variance [2 marks]
(ii) material usage variance [2 marks]
(iii) Material cost variance [2 marks]
- c) Differentiate between job costing and product costing [6 marks]
- d) Explain four assumptions of cost volume profit analysis [4 marks]

QUESTION FOUR

- (a) A product passes through three production processes A, B and C. the normal wastage of each process is A, B and C is 3%, 5% and 8% respectively. Scraps of process A was sold

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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 a cost of sh 1 per unit.

The other expenses incurred were as follows:

	Process A	Process B	Process C
Additional material sh)	1000	1500	500
Direct labour (sh)	5000	8000	6500
Direct expenses (sh)	1050	1188	2009
Actual output	9500 units	9100units	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 [3 marks]
 - (iii) Abnormal gain account [2 marks]
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