

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT

AGBM 312: MANAGERIAL ACCOUNTING

STREAMS: AGBM (Y3S1)

TIME: 2 HOURS

DAY/DATE: FRIDAY 07/12/2018

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- Answer question ONE and any other TWO questions
- Do not write on the question paper

QUESTION ONE

- (a) Differentiate between the following terminologies as used in cost accounting
- | | |
|---|-----------|
| (i) Product costs and period costs | [3 marks] |
| (ii) Semi-fixed costs and semi-variable costs | [3 marks] |
| (iii) Cost allocation and cost apportionment | [3 marks] |
| (iv) Job costing and process costing | [3 marks] |
- (b) The production manager for XYZ company is concerned about the apparent fluctuations in efficiency and wants to determine how labour costs (in shillings) are related to volume of production (in units). The following data presents results of the 6 most recent weeks

Week no.	Units produced	Labour cost
1	34	340
2	44	346
3	24	287
4	36	262
5	30	220
6	49	416

Required:

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Estimate the cost function using:

- (i) High low method [3 marks]
 - (ii) Regression analysis method [7 marks]
- (c) The standard quantity of materials for producing 1 unit of product “p” is 5 kg. The standard price is ksh. 6.00 per kg. During a particular period, 500 units of “p” were produced. Actual material consumed was 2700 kgs at a cost of ksh. 16200.

Required:

- (i) Material price variance [2 marks]
 - (ii) Material usage variance [2 marks]
 - (iii) Total material cost variance [2 marks]
- (d) State any two reasons as to why marginal costing is preferred to absorption costing in managerial decision making [2 marks]

QUESTION TWO

- (a) Assume XYZ ltd produces two products A and B and the following budget has been provided

	A	B	Total
Sales in units	120,000	40,000	160,000
Selling price per unit (sh)	5	10	
Variable cost per unit (sh)	4	3	
Total fixed cost for the period kshs	300,000		

Required:

Calculate the break-even point for the whole company and for each product in shillings

[6 marks]

- (b) State four assumptions of CVP analysis [4 marks]
- (c) The standard and actual figures of a firm are as follows

Standard time for the job 1000 hours

Standard rate per hour sh. 0.5

Actual time taken 900 hours

Actual wages paid sh. 360

Required:

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- (i) Labour rate variance [2 marks]
 - (ii) Labour efficiency variance [2 marks]
 - (iii) Total labour cost variance [1 mark]
- (d) Explain the need for a cost and management accounting system in an organization [5 marks]

QUESTION THREE

- (a) State any five differences between job costing and process costing [5 marks]
- (b) Explain five benefits of budgeting in an organization [5 marks]
- (c) Fifty units are introduced into a process at a cost of ksh. 1.00 per unit. The additional expenditure incurred by the process is ksh. 30. Of the units introduced 10% are normally spoiled in the course of manufacture. These possess a scrap value of ksh. 0.25 each. Owing to an accident, only 40 units are produced.

Required:

- (i) Process account [3 marks]
- (ii) Abnormal loss account [2 marks]
- (d) State any three causes of material price variance [3 marks]
- (e) Differentiate between joint products and by-products [2 marks]

QUESTION FOUR

- (a) A company expects the following activities in January 2010
 - Sales 7000 units
 - Production 8500 units
 - Fixed overhead costs are based on a normal capacity of 9600 units. The budgeted selling price and costs per unit are as follows:
 - Selling price per unit sh. 45
 - Direct material ksh. 11
 - Direct labour ksh. 8
 - Production overhead (sh. 3 variable) ksh. 7
 - Selling and administrative overheads (50% fixed) ksh. 10

Required:

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- (i) Prepare profit and loss statements under marginal costing and absorption costing [10 marks]
- (ii) Reconcile marginal costing profit to absorption costing profit [2 marks]
- (b) Mamboleo clothing factory has four departments. A, B and C are production departments while D is a service department.

The actual cost for the financial year ended 31 December 2015 were as follows:

	Sh.
Rent	20000
Repairs	12000
Depreciation of plant	9000
Light and power	2000
Supervision	30000
Repairs to building	8000

The following information about the departments is used as a basis for distribution of costs.

	Departments			
	A	B	C	D
Area in sq. metres	1500	1100	900	500
No. of employees	20	15	10	5
Wages paid (sh.)	120000	80000	60000	40000
Value of plant (sh.)	300000	180000	120000	

Required:

Prepare an overhead analysis sheet, apportioning the above costs to the four departments and indicate the basis of apportionment in each case [8 marks]
