CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

RESITS/SPECIAL EXAMINATIONS

EXAMINATION FOR THE AWARD OF DIPLOMA OF PROCUREMENT AND LOGISTICS MANAGEMENT

DPLM 0223: MANAGEMENT ACCOUNTING

STREAMS: **TIME: 2 HOURS**

DAY/DATE: TUESDAY 29/8/2023 **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 (30 Marks)

(a) Distinguish between the following terms as used in management accounting:

(i) Cost center and profit center (2marks)

(ii) Fixed cost and variable cost (2marks)

(iii) Historical cost and pre-determined cost (2marks)

(iv) Direct cost and indirect cost (2 marks)

(b) A-Z Ltd is a manufacturer of ceramic tiles. The following information relates to the production of the tiles:

Variable cost per tile Ksh.3000.

Fixed cost Ksh. 100,000

Selling price per tile Ksh.5000

Required:

(i) How many tiles must the company produce and to break-even?

(3marks)

(ii) If the company wants to realize before tax profit of Sh.200, 000, determine the number of units to be sold. (3marks)

(iii) How many tiles must be sold for the company to realize after tax profit of sh.210,000 ?[Tax rate=30%] (4 marks)

(c) The production manager of Bidco Africa Ltd is concerned about the apparent fluctuation in efficiency and wants to determine how total cost (in Sh.) is related to output (units). The following data presents results of the six most recent weeks.

Month	Output(units)	Total Cost (Sh)
January	1,100	29,200
February	1,400	30,400
March	1,200	29,600
April	1,000	28,400
May	1,600	32,800
June	1,200	30,400

Required:

i. Estimate the cost function using high-low method (4 marks)

ii. Estimate the cost function using regression analysis method (6 marks)

iii. Estimate the total cost of production on 1800 units produced using cost function in a (ii) above (2 marks)

QUESTION TWO

a) Distinguish between marginal costing and absorption costing techniques (4 marks)

b) XYZ expects the following activity levels in January 2022.

Sales	14,000 units
Production	17,000 units

The company also expects an opening stock of 1,000 units as at 1stJanuary 2022.

The budgeted unit selling price and costs are as follows:

	Ksh. Per unit
Selling price	45
Direct material	11
Direct labour	8
Production overhead (Ksh. 3 variable)	7
Selling and administrative overhead (50% fixed)	10

Required:

a) Calculate the variable production cost per unit. (2marks)

b) Prepare Income statement for the period under the absorption and marginal costing basis (14 marks)

QUESTION THREE

a) Explain two causes of normal loss during the production process (2 marks)

b) Distinguish between job costing and process costing (6 marks)

c) A product passes through two production processes A and B. The normal wastage in process A and B and C is 3% and 5% respectively. Scrap of process A is sold at Ksh. 25 per unit and that of process B at Ksh. 50 per unit. Given that 10,000 units were issued to process A at the beginning of october 2022 at a cost of sh.100 per unit.

The following data is also available:

	PROCESS A	**PROCESS B**
Additional Material KSh.	100,000	150,000
Direct labour Ksh.	500,000	800,000
Direct expenses Ksh.	105,000	118,800
Actual output (units)	9,500	9,100

There was neither opening nor closing stocks.

Required: prepare

(i)	Process accounts	(10 marks)
(ii)	Abnormal loss or Abnormal gain account (whichever the case)	(2 marks)

QUESTION FOUR

a) Explain three types of standards used in standard costing (6 marks)

b) Discuss the role of management accounting in an organization (4 marks)

c) The following information relates to company ABC Ltd which produces product Z.

Material quantity needed to produce 1 unit	12 kg
Hours needed to produce 1 unit	10 hours
Price per kg	sh.90
Wage rate per hour	sh.100

The actual production cost for 2400 units were as follows:

Material usage	26,400 kg
Material cost	sh. 2,640,000
Hours worked	25,200 hours
Wages paid	sh.2,570,400

Required: Determine

(i)	Material price variance	(2 marks)
(ii)	Material usage variance	(2 marks)
(iii)	Total material cost variance	(2 marks)
(iv)	Total labour cost variance	(4 marks)

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