

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

RESIT/SPECIAL EXAMINATION

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE
(ACCOUNTING OPTION)BCOM 314: MANAGEMENT ACCOUNTING
BUST 421: MANAGEMENT ACCOUNTING II

STREAMS: BCOM Y3S1 & BUST Y4S2

TIME: 2 HOURS

DAY/DATE: TUESDAY 29/08/2023

11.30 A.M – 1.30 P.M.

INSTRUCTIONS:

- ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS .

QUESTION ONE (30 marks)

- a) Distinguish between the following cost terms
- Fixed cost and Variable cost (2 marks)
 - Cost allocation and cost apportionment (2 marks)
 - Controllable and non-controllable cost (2 marks)
 - Prime costs and overheads (2 marks)

b) The following data relates to product excel of excel ltd

Year	output	Total production costs
2000	5	146
2001	7	152
2002	6	148
2003	5	142
2004	8	164
2005	6	152

The company would like to estimate the relationship between cost and output

Required:

Estimate the cost function using;

- High low method. [4marks]
- Regression analysis method. [8marks]

c) A company intends to start selling a new pair of Pliers for a selling price of sh 1500 per unit. . The following information is provided about the Total Fixed Cost and the variable costs per unit

Fixed Costs

Metal Molding Machine	sh 1,000,000
Plastic Grip Molder	sh 250,000
Sander	sh 50,000

Variable Cost (Per Unit)

Packaging material	sh 400
Raw materials	sh 700

Required

- a) Number of Pliers to be sold to Break Even (3 marks)
- b) Number of units required to be sold to earn a target profit of sh 250,000 before tax (3 marks)
- c) Number of units to be sold to earn sh 280,000 after tax on a 30% tax bracket (4 marks)

QUESTION TWO

a) The following information was extracted from the stores ledger of Omega Ltd during the month of March 2017.

1/3/2017 Stock balance 800 units valued at sh 48,000

Receipts

4/3/2017	200units @ sh 70
10/3/2017	200units @ sh 80
12/3/2017	400units @ sh 80
24/3/2017	800 units @ shs 90

Issues

11/3/2017	issued 800 units
20/3/2017	issued 500 units
26/3/2017	issued 300 units
28/3/2017	issued 200 units

Required

- a) Prepare a stores ledger card using LIFO method 10mks
- b) Identify the features that distinguish financial accounting and management accounting systems(4 marks)
- c) Discuss the role of management accounting within an organization (6 marks)

QUESTION THREE

XYZ Ltd manufactures product “M” whose Standard selling price per unit is Sh.205

The standard cost of producing one unit of product M is given below.

Direct labour	Sh.15
Direct material	Sh24

Variable production overhead Sh.6

Fixed production overhead is estimated at sh 30,000 for a budget of 2,000 units p.m

The following information is provided for the month of October 2022 where 2000 units of product M were produced and 1500 units were sold.

The actual fixed production overhead incurred is sh 25,000

Annual non-production costs consists of

Fixed selling cost Sh.36, 000

Variable selling cost 15% of sales in shillings

Required:

(a) Prepare the profit statement for January using:

- | | |
|--|-----------|
| (i) Absorption costing | [7 Marks] |
| (ii) Marginal costing | [7 Marks] |
| (iii) Reconcile the profits under the two methods | (3 marks) |
| (iv) Why is Marginal costing Preferred to Absorption costing | (3 marks) |

QUESTION FOUR

a) Maputo Ltd. Manufactures and sells one brand of washing soap. The sale price per one dozen packets is Sh.50. The standard production cost as follows:

Direct materials: Material A – 3 Kg. @Sh.4 per kg

Material B – 2 litres @ Sh.5per litre

Direct labour: ½ hour @ Sh.20

During the last financial year the company production was 64,000 dozen packets for which the following costs were incurred:

	Shs
Material A 194,000 Kg.	780,800
B 130,000 litres	625,000
Direct labour 35,000 hours	684,000

Required

a) Calculate the following variances:

- | | |
|---|-----------|
| i. Material price variance for A and B and the total | (5marks) |
| ii. Material usage variance for A and B and the total | (5 marks) |
| iii. Labour rate | (3marks) |
| iv. Labour efficiency variance | (3marks) |

b) Differentiate between

- | | |
|-----------------------------------|-----------|
| i) Scrap and Waste | (2 marks) |
| ii) Abnormal loss and Normal Loss | (2 marks) |